CD PROJEKT®

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT OF THE CD PROJEKT CAPITAL GROUP FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2014

“The Northern Cardinal, or REDbird, is what we see ourselves in the industry: intrepid, bold and confident; flying high and aiming even higher. The color, cardinal RED, is something that connects it with another bird, a mythological creature close to our cultural roots and heritage—the Rarog, a small firebird believed to bring luck to people. RED stands for energy, the inner fire that drives us; it represents something very close to everyone here in the studio—the creativity and passion we harness from within ourselves to make the best RPGs in the world."

Adam Badowski, CD Projekt RED Studio Head and Member of the CD PROJEKT S.A. Management Board

1

General Information

I. Parent entity

Name:	CD PROJEKT S.A.
Legal status:	Joint-stock company
Headquarters:	Jagiellońska 74, 03-301 Warsaw
Country of registration:	Poland
Principal scope of activity:	CD PROJEKT S.A. is the holding company of the CD PROJEKT Capital Group which focuses on videogame development as well as videogame and motion picture distribution
Keeper of records:	District Court for the City of Warsaw in Warsaw – Poland; 13th Commercial Department of the National Court Register (Sąd Rejonowy dla m.st. Warszawy w Warszawie, XIII Wydział Gospodarczy Krajowego Rejestru Sądowego)
Statistical Identification Number (REGON):	492707333

II. Duration of the Capital Group

The duration of the parent entity CD PROJEKT S.A. and all remaining members of the Capital Group is indefinite.

III. Reporting period

This condensed interim consolidated financial statement, which includes elements of condensed interim separate financial statements, covers the period between 1 January and 31 March 2014 inclusive. Comparative data is valid for 31 December 2013 and 31 March 2013 in the condensed interim consolidated statement of financial position and elements of condensed interim separate statements of financial position, and for the period between 1 January 2013 and 31 December 2013 in the condensed interim consolidated and separate profit and loss accounts, condensed interim consolidated and separate statements of comprehensive income, condensed interim consolidated and separate statements of cash flows and statement of changes in consolidated and separate equity.

IV. Composition of the governing bodies of the parent entity as of 31 March 2014

Management Board

President of the Board	Adam Kiciński
Vice President of the Board	Marcin Iwiński
Vice President of the Board	Piotr Nielubowicz
Board Member	Adam Badowski
Board Member	Michał Nowakowski

Changes in Management Board Composition

No changes in the composition of the CD PROJEKT S.A. Management Board occurred in the reporting period.

(all amounts listed in PLN thousands unless otherwise stated)

Supervisory Board

Chairwoman of the Board	Katarzyna Szwarc
Deputy Chairman of the Board	Cezary Iwański
Board Memebr	Grzegorz Kujawski
Board Member	Maciej Majewski
Board Member	Piotr Pągowski

Changes in Supervisory Board Composition

No changes in the composition of the CD PROJEKT S.A. Supervisory Board occurred in the reporting period.

V. Licensed auditors

PKF Consult Sp. z o.o.

Orzycka 6/1B

02-695 Warsaw

VI. Shareholders who control, directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders of the parent entity as of the publication date of this statement

The shareholder structure is determined on the basis of formal notices issued by shareholders who control at least 5% of the total number of votes at the General Meeting of Shareholders of the parent entity. As of the publication date of this statement the following shareholders controlled at least 5% of votes at the General Meeting:

	No. of shares	Percentage share in share capital	No. of votes at the GM	Percentage share in total number of votes at the GM
In concert(1)	33 997 794	35.81%	33 997 794	35.81%
Marcin Iwiński	*12 607 501*	*13.28%*	*12 607 501*	*13.28%*
Michał Kiciński	*12 282 615*	*12.94%*	*12 282 615*	*12.94%*
Piotr Nielubowicz	*5 985 197*	*6.30%*	*5 985 197*	*6.30%*
Adam Kiciński	*3 122 481*	*3.29%*	*3 122 481*	*3.29%*
PKO TFI S.A. (2)	9 000 000	9.48%	9 000 000	9.48%
AVIVA OFE (3)	4 940 000	5.20%	4 940 000	5.20%
Amplico PTE S.A. (4)	5 003 719	5.27%	5 003 719	5.27%
Other shareholders	42 008 487	44.24%	42 008 487	44.24%

(1) Pursuant to art. 87 par. 1 item 5 of the Offerings Act, Mr. Michał Kiciński, Mr. Marcin Iwiński, Mr. Piotr Nielubowicz and Mr. Adam Kiciński are recognized as acting in concert.
(2) As disclosed in Current Report No. 19/2011 of 25 February 2011.
(3) As disclosed in Current Report No. 25/2012 of 6 September 2012.
(4) As disclosed in Current Report No. 20/2013 of 11 September 2013.

(all amounts listed in PLN thousands unless otherwise stated)

Changes in shareholder structure of the parent entity

The Company was not notified of any changes in shareholder structure throughout the reporting period.

VII. Changes in stock ownership by members of the Management Board and the Supervisory Board of the parent entity throughout the first quarter of 2014 and up until the publication date of this statement

Changes in stock ownership by members of the Management Board

	as of 31.03.2014	reduction	increase	as of 01.01.2014
Marcin Iwiński	*12 607 501*	-	-	*12 607 501*
Piotr Nielubowicz	*5 985 197*	-	-	*5 985 197*
Adam Kiciński	*3 122 481*	-	-	*3 122 481*
Michał Nowakowski	*1 149*	-	-	*1 149*
Adam Badowski	-	-	-	-

	as of 15.05.2014	reduction	increase	as of 01.01.2014
Marcin Iwiński	*12 607 501*	-	-	*12 607 501*
Piotr Nielubowicz	*5 985 197*	-	-	*5 985 197*
Adam Kiciński	*3 122 481*	-	-	*3 122 481*
Michał Nowakowski	*1 149*	-	-	*1 149*
Adam Badowski	-	-	-	-

Changes in stock ownership by members of the Supervisory Board

	as of 31.03.2014	reduction	increase	as of 01.01.2014
Katarzyna Szwarc	*10*	-	-	*10*
Cezary Iwański	-	-	-	-
Grzegorz Kujawski	-	-	-	-
Maciej Majewski	-	-	-	-
Piotr Pągowski	-	-	-	-

	as of 15.05.2014	reduction	increase	as of 01.01.2014
Katarzyna Szwarc	*10*	-	-	*10*
Cezary Iwański	-	-	-	-
Grzegorz Kujawski	-	-	-	-
Maciej Majewski	-	-	-	-
Piotr Pągowski	-	-	-	-

(all amounts listed in PLN thousands unless otherwise stated)

VIII. Subsidiaries – structure of the Capital Group

IX. Validation of published estimates

The Group did not publish any estimates referring to the reporting period.

X. Wybrane dane finansowe

The official PLN/EUR exchange rates published by the National Bank of Poland and valid for the reporting period are as follows:

Reporting period	Average rate *	Minimum rate	Peak rate	Rate as of the final day of the reporting period
01.01.2014 - 31.03.2014	*4.1894*	*4.1450*	*4.2375*	*4.1713*
01.01.2013 - 31.12.2013	*4.2110*	*4.0671*	*4.3432*	*4.1472*
01.01.2013 - 31.03.2013	*4.1738*	*4.0671*	*4.2028*	*4.1774*

** Average value of exchange rates on the final day of each month belonging to the reporting period.*

Assets and liabilities listed in the condensed interim consolidated statement of financial position were converted into EUR by applying the exchange rate for the final day of the reporting period, as published by the National Bank of Poland.

Assets and liabilities listed in the condensed interim consolidated profit and loss account and condensed interim consolidated statement of cash flows were converted into EUR by applying the average value of exchange rates for the final day of each month belonging to the reporting period, as published by NBP.

thousands	PLN		EUR	
	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
Net income from sales of products, goods and materials	*30 804*	*27 814*	*7 353*	*6 664*
Sales costs	*23 075*	*18 049*	*5 508*	*4 324*
Profit (loss) from continuing operations	*609*	*2 602*	*145*	*623*
Gross profit (loss)	*1 831*	*3 306*	*437*	*792*
Net profit (loss) attributable to equity holders of parent entity	*1 498*	*4 071*	*358*	*975*
Net cash flows from continuing operations	*3 351*	*4 977*	*800*	*1 192*
Net cash flows from investment activities	*(1 070)*	*(934)*	*(255)*	*(224)*
Net cash flows from financial activities	*(116)*	*(4 038)*	*(28)*	*(967)*

(all amounts listed in PLN thousands unless otherwise stated)

Aggregate net cash flows	*2 165*	*5*	*517*	*1*
Stock volume (in thousands)	*94 950*	*94 950*	*94 950*	*94 950*
Net profit (loss) per ordinary share (PLN/EUR)	*0.016*	*0.043*	*0.004*	*0.010*
Diluted profit (loss) per ordinary share (PLN/EUR)	*0.016*	*0.043*	*0.004*	*0.010*
Book value per share (PLN/EUR)	*1.780*	*1.763*	*0.427*	*0.425*
Diluted book value per share (PLN/EUR)	*1.780*	*1.763*	*0.427*	*0.425*
Declared or paid out dividend per share (PLN/EUR)	-	-	-	-

thousands	**PLN**		**EUR**	
	31.03.2014	**31.12.2013**	**31.03.2014**	**31.12.2013**
Total assets	*239 910*	*217 635*	*57 514*	*52 478*
Liabilities and provisions for liabilities (less accrued charges)	*69 425*	*48 680*	*16 643*	*11 738*
Long-term liabilities	*4 868*	*5 276*	*1 167*	*1 272*
Short-term liabilities	*66 036*	*44 991*	*15 831*	*10 849*
Equity	*169 006*	*167 368*	*40 516*	*40 357*
Share capital	*94 950*	*94 950*	*22 763*	*22 895*

XI. Statement of the Management Board of the parent entity

Pursuant to the directive of the Finance Minister of 19 February 2009 regarding the publication of periodic and current reports by issuers of securities, the Management Board of the parent entity hereby states that, to the best of its knowledge, this condensed interim consolidated financial statement and comparative data contained herein have been prepared in accordance with all accounting regulations applicable to the CD PROJEKT Capital Group and that they constitute a true, unbiased and clear description of the finances and assets of the Capital Group as well as its current profit and loss balance.

This condensed interim consolidated financial statement has been prepared in accordance with accounting practices consistent with the International Financial Reporting Standards as legislated by the European Union. Where such practices are not applicable the statement conforms to the Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland, 2013, item no. 330 with subsequent changes) and to any secondary legislation based on said Act, as well as to the directive of the Finance Minister of 19 February 2009 regarding publication of periodic and current reports by issuers of securities (Journal of Laws of the Republic of Poland, No. 33, item no. 259). The statement covers the period between 1 January and 31 March 2014 inclusive, with the corresponding comparative period between 1 January and 31 March 2013 inclusive.

XII. Approval of financial statement

This condensed interim consolidated financial statement of the CD PROJEKT Capital Group was approved for publication by the Management Board of the parent entity on 15 May 2014.

2

Condensed Interim Consolidated Financial Statement of the CD PROJEKT Capital Group

I. Condensed interim consolidated profit and loss account

PLN thousands	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
Sales revenues	**30 804**	**27 814**
Revenues from sales of products	*4 801*	*4 060*
Revenues from sales of services	*13 426*	*12 863*
Revenues from sales of goods and materials	*12 577*	*10 891*
Cost of products, goods and materials sold	**23 075**	**18 049**
Cost of products and services sold	*11 241*	*9 212*
Value of goods and materials sold	*11 834*	*8 837*
Gross profit (loss) from sales	**7 729**	**9 765**
Other operating revenues	*1 867*	*647*
Selling costs	*5 204*	*4 633*
General and administrative costs	*3 101*	*2 692*
Other operating expenses	*682*	*485*
Operating profit (loss)	**609**	**2 602**
Financial revenues	*1 281*	*897*
Financial expenses	*59*	*193*
Profit (loss) before tax	**1 831**	**3 306**
Income tax	*445*	*(765)*
Net profit (loss) from continuing operations	**1 386**	**4 071**
Net profit (loss)	**1 386**	**4 071**
Net profit (loss) attributable to minority interests	*(112)*	*-*
Net profit (loss) attributable to equity holders of parent entity	*1 498*	*4 071*
Net earnings per share (in PLN)		
Basic for the reporting period	*0.016*	*0.043*
Diluted for the reporting period	*0.016*	*0.043*
Net earnings per share from continuing operations (in PLN)		
Basic for the reporting period	*0.016*	*0.043*
Diluted for the reporting period	*0.016*	*0.043*

Warsaw, 15 May 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

II. Condensed interim consolidated statement of comprehensive income

PLN thousands	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
Net profit (loss)	**1 386**	**4 071**
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria	-	-
Exchange rate differences on valuation of foreign entities	*102*	*219*
Differences from rounding to PLN thousands	-	*(1)*
Other comprehensive income which will not be entered as profit (loss)	**-**	**-**
Total comprehensive income	**1 488**	**4 289**
Total comprehensive income attributable to minority interests	**(112)**	**-**
Total comprehensive income attributable to equity holders of parent entity	**1 600**	**4 289**

Warsaw, 15 May 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

III. Condensed interim consolidated statement of financial position

PLN thousands	31.03.2014	31.12.2013	31.03.2013
FIXED ASSETS	**95 586**	**95 047**	**94 448**
Tangible assets	*10 971*	*11 187*	*10 849*
Intangible assets	*37 297*	*36 403*	*34 980*
Goodwill	*46 417*	*46 417*	*46 417*
Deferred income tax assets	*578*	*755*	*1 953*
Other fixed assets	*323*	*285*	*249*
CURRENT ASSETS	**144 324**	**122 588**	**98 567**
Inventories	*58 170*	*51 966*	*36 411*
Trade receivables	*25 047*	*17 064*	*18 223*
Current income tax receivables	*1 851*	*901*	*651*
Other receivables	*8 109*	*3 856*	*2 784*
Other financial assets	*908*	*805*	*859*
Prepaid expenses	*8 390*	*8 312*	*12 768*
Cash and cash equivalents	*41 849*	*39 684*	*26 871*
TOTAL ASSETS	**239 910**	**217 635**	**193 015**

Warsaw, 15 May 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

PLN thousands	31.03.2014	31.12.2013	31.03.2013
EQUITY	169 006	167 368	155 992
Equity attributable to shareholders of the Parent Company	**168 250**	**166 500**	**155 992**
Share capital	*94 950*	*94 950*	*94 950*
Supplementary capital, incl. sales of shares above nominal price	*119 730*	*112 438*	*112 438*
Other reserve capital	*1 139*	*989*	*724*
Exchange rate differences	*(688)*	*(790)*	*(618)*
Retained earnings	*(48 379)*	*(55 987)*	*(55 573)*
Net profit (loss) for the reporting period	*1 498*	*14 900*	*4 071*
Minority share capital	***756***	***868***	**-**
LONG-TERM LIABILITIES	4 868	5 276	5 430
Credits and loans	-	-	-
Other financial liabilities	*203*	*177*	*164*
Deferred income tax liabilities	*3 351*	*3 686*	*4 653*
Deferred revenues	*1 277*	*1 376*	*587*
Provisions for employee benefits and similar liabilities	*37*	*37*	*26*
Other provisions	-	-	-
SHORT-TERM LIABILITIES	66 036	44 991	31 593
Credits and loans	*24*	*21*	*888*
Other financial liabilities	*220*	*260*	*254*
Trade liabilities	*24 248*	*24 738*	*25 187*
Liabilities from current income tax	*433*	*1 270*	*2 096*
Other liabilities	*40 746*	*18 218*	*2 633*
Deferred revenues	*202*	*211*	*300*
Provisions for employee benefits and similar liabilities	*97*	*145*	*91*
Other provisions	*66*	*128*	*144*
TOTAL LIABILITIES	239 910	217 635	193 015

Warsaw, 15 May 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

IV. Condensed interim statement of changes in consolidated equity

PLN thousands	Share capital	Supplementary capital from sales of shares above nominal price	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Equity attributable to shareholders of the Parent Company	Minority share capital	Total equity
01.01.2014 - 31.03.2014									
Equity as of 01.01.2014	**94 950**	**112 438**	**989**	**(790)**	**(41 087)**	**-**	**166 500**	**868**	**167 368**
Equity after adjustments	**94 950**	**112 438**	**989**	**(790)**	**(41 087)**	**-**	**166 500**	**868**	**167 368**
Cost of incentive program	*-*	*-*	*150*	*-*	*-*	*-*	*150*	*-*	*150*
Distribution of net profit	*-*	*7 292*	*-*	*-*	*(7 292)*	*-*	*-*	*-*	*-*
Total comprehensive income	*-*	*-*	*-*	*102*	*-*	*1 498*	*1 600*	*(112)*	*1 488*
Equity as of 31.03.2014	**94 950**	**119 730**	**1 139**	**(688)**	**(48 379)**	**1 498**	**168 250**	**756**	**169 006**
01.01.2013 - 31.12.2013									
Equity as of 01.01.2013	**94 950**	**105 200**	**551**	**(837)**	**(48 334)**	**-**	**151 530**	**-**	**151 530**
Equity after adjustments	**94 950**	**105 200**	**551**	**(837)**	**(48 334)**	**-**	**151 530**	**-**	**151 530**
Cost of incentive program	*-*	*-*	*438*	*-*	*-*	*-*	*438*	*-*	*438*
Distribution of net profit	*-*	*7 238*	*-*	*-*	*(7 238)*	*-*	*-*	*-*	*-*
Differences from changes in ownership structure of subsidiary stock	*-*	*-*	*-*	*-*	*(414)*	*-*	*(414)*	*917*	*503*
Total comprehensive income	*-*	*-*	*-*	*47*	*(1)*	*14 900*	*14 946*	*(49)*	*14 897*
Equity as of 31.12.2013	**94 950**	**112 438**	**989**	**(790)**	**(55 987)**	**14 900**	**166 500**	**868**	**167 368**

Warsaw, 15 May 2014

Adam Kiciński President of the Board	Marcin Iwiński Vice President of the Board	Piotr Nielubowicz Vice President of the Board	Adam Badowski Board Member	Michał Nowakowski Board Member	Katarzyna Janaszkiewicz Deputy Accounting Officer

PLN thousands	Share capital	Supplementary capital from sales of shares above nominal price	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Equity attributable to shareholders of the Parent Company	Minority share capital	Total equity
01.01.2013 - 31.03.2013									
Equity as of 01.01.2013	**94 950**	**105 200**	**551**	**(837)**	**(48 334)**	**-**	**151 530**	**-**	**151 530**
Equity after adjustments	**94 950**	**105 200**	**551**	**(837)**	**(48 334)**	**-**	**151 530**	**-**	**151 530**
Distribution of net profit	-	*7 238*	-	-	*(7 238)*	-	-	-	-
Cost of incentive program	-	-	*173*	-	-	-	*173*	-	*173*
Total comprehensive income	-	-	-	*219*	*(1)*	*4 071*	*4 289*	-	*4 289*
Equity as of 31.03.2013	**94 950**	**112 438**	**724**	**(618)**	**(55 573)**	**4 071**	**155 992**	**-**	**155 992**

Warsaw, 15 May 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

V. Condensed interim consolidated statement of cash flows

PLN thousands	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
OPERATING ACTIVIES		
Net profit (loss)	**1 386**	**4 071**
Total adjustments:	**2 963**	**1 700**
Depreciation	*826*	*740*
Interest and profit sharing	*(166)*	*63*
Profit (loss) on investment activities	*(269)*	*(50)*
Change in provisions	*(110)*	*(175)*
Change in inventories	*(6 204)*	*(3 044)*
Change in receivables	*(13 221)*	*14 954*
Change in liabilities excluding credits and loans	*22 038*	*(10 145)*
Change in other assets and liabilities	*(185)*	*(1 038)*
Other adjustments	*254*	*395*
Cash flow from continuing operations	**4 349**	**5 771**
Income tax on profit (loss) before taxation	*445*	*(765)*
Income tax (paid) / reimbursed	*(1 443)*	*(29)*
A. Net cash flow from operating activities	**3 351**	**4 977**
INVESTMENT ACTIVITIES		
Inflows	**405**	**107**
Disposal of intangible and tangible fixed assets	*91*	*6*
Disposal of financial assets	*29*	*46*
Other inflows from investment activities	*285*	*55*
Outflows	**1 475**	**1 041**
Purchases of intangible and tangible fixed assets	*1 475*	*803*
Other outflows from investment activities	*-*	*238*
B. Net cash flow from investment activities	**(1 070)**	**(934)**
FINANCIAL ACTIVITIES		
Inflows	**4**	**125**
Credits and loans	*4*	*125*
Other inflows from financial activities	*-*	*-*
Outflows	**120**	**4 163**
Repayments of credits and loans	*1*	*3 982*
Payments of liabilities under financial lease agreements	*107*	*62*
Interest paid	*12*	*48*
Other financial expenses	*-*	*71*
C. Net cash flows from financial activities	**(116)**	**(4 038)**
D. Total net cash flow	**2 165**	**5**
E. Change in cash and cash equivalents on balance sheet	**2 165**	**5**
F. Cash and cash equivalents at beginning of period	**39 684**	**26 866**
G. Cash and cash equivalents at end of period	**41 849**	**26 871**

Warsaw, 15 May 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

Clarifications regarding the condensed interim consolidated statement of cash flows

PLN thousands	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
The “other adjustments” line item comprises:	**254**	**395**
incentive program costs	*150*	*173*
miscellaneous adjustments	*104*	*222*

Warsaw, 15 May 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

3

Clarifications Regarding the Condensed Interim Consolidated Financial Statement

I. Compliance with International Financial Reporting Standards

This condensed interim consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (hereafter referred to as "IFRS") and with the IFRS approved by the EU. As of the date of approval of this statement for publication the EU is continuing with its IFRS implementation plan. In the scope of the Group's activity there is no discrepancy between the IFRS already in force and those approved by the EU.

IFRS comprise standards and interpretations endorsed by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

II. Basis for the preparation of the condensed interim consolidated financial statement

This condensed interim consolidated financial statement with elements of condensed interim separate financial statements for the period ending 31 March 2014 was prepared in accordance with IAS 34 (Interim Financial Reporting) as well as with the Finance Minister regulation of 19 February 2009 regarding current and periodic disclosure of information by issuers of securities and recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Law of the Republic of Poland, No. 33, item 259 with subsequent changes).

This condensed interim consolidated financial statement with elements of condensed interim separate financial statements is valid for 31 March 2014 and presents data for the period between 1 January and 31 March 2014 along with the corresponding comparative period in 2013.

All figures listed in this condensed interim consolidated financial statement with elements of condensed interim separate financial statements are denominated in thousands of Polish Zlotys unless otherwise specified.

This condensed interim consolidated financial statement with elements of condensed interim separate financial statements was prepared on the basis of the historical cost principle. The condensed interim consolidated financial statement with elements of condensed interim separate financial statements does not, by itself, cover all information which the Company is required to disclose under law for the current financial year, and should therefore be read in conjunction with the annual consolidated financial statement for the year ending 31 December 2013 prepared in accordance with IFRS standards as legislated by the European Union.

This condensed interim consolidated financial statement with elements of condensed interim separate financial statements was not subjected to an audit and was not independently reviewed.

III. Assumption of going concern and comparability of financial statements

This condensed interim consolidated financial statement is prepared under the assumption that the Group and Company intend to continue as a going concern throughout the 12-month period following the end of the reporting period (i.e. 31 March 2014). At the moment of signing this financial statement the Management Board of the parent entity is not aware of any facts or circumstances which would jeopardize the assumption of going concern within said 12-month period, by way of intentional or forced cessation or significant reduction of continuing operations.

As of the day of preparation of this condensed interim consolidated financial statement with elements of condensed interim separate financial statements covering the period between 1 January and 31 March 2014 no events have occurred which should have been reflected in the accounts for that period but have not been reflected therein. Additionally, no important events have occurred in relation to the preceding years.

The following presentation changes have been applied in order to ensure comparability of financial data:

- For the period between 1 January and 31 March 2014 the amount of 12 029 thousand PLN was deducted from the revenues from sales of products line item and added to the revenues from sales of services line item. This change is due to a change in the presentation of revenues obtained by GOG Ltd., a subsidiary of CD PROJEKT S.A. in accordance with the definition of electronic services, and has no bearing on the Company's financial result or equity.
- For the period between 1 January and 31 March 2014 inventory write-downs in the amount of 396 thousand PLN were deducted from the other operating expenses line item and added to the cost of products, goods and materials sold line item. This change is due to a change in the presentation of costs incurred by cdp.pl Sp. z o.o., a subsidiary of CD PROJEKT S.A., effective since 1 January 2014, and has no bearing on the Company's financial result or equity.
- For the period between 1 January and 31 March 2014 inventory markdown costs in the amount of 446 thousand PLN were deducted from the other operating expenses line item and added to the cost of products, goods and materials sold line item. This change is due to a change in the presentation of costs incurred by cdp.pl Sp. z o.o., a subsidiary of CD PROJEKT S.A., effective since 1 January 2014, and has no bearing on the Company's financial result or equity.
- For the period between 1 January and 31 March 2014 ongoing production costs in the amount of 123 thousand PLN were deducted from the semi-finished products and production in progress line item and added to the inventories: goods line item. This change is due to a change in the presentation of costs incurred by cdp.pl Sp. z o.o., a subsidiary of CD PROJEKT S.A., effective since 1 January 2014, and has no bearing on the Company's financial result or equity.
- For the period between 1 January and 31 March 2014 the costs of developing licensing software in the amount of 100 thousand PLN were deducted from the fixed assets under construction line item and added to the other intangible assets line item. This change is due to a change in the presentation of costs incurred by cdp.pl Sp. z o.o., a subsidiary of CD PROJEKT S.A., effective since 1 January 2014, and has no bearing on the Company's financial result or equity.

IV. Consolidation principles

Subsidiaries

Subsidiaries are defined as all companies which fall under the Group's financial and operational control, typically by way of a majority share of votes in their statutory organs. When assessing whether or not the Group controls an entity, the existence and impact of the potential voting rights, which can be exercised or replaced at the given moment, are taken into consideration.

Subsidiaries are subject to full consolidation from the date of acquisition of control by the Group and cease to be reported as such on the day control is lost. Acquisition of subsidiaries by the Group follows acquisition accounting rules. The cost of acquisition is defined as the fair value of all assets, issued securities and liabilities incurred or transferred on the date of acquisition. Identifiable assets and liabilities (including conditional liabilities) acquired as a result of a business combination are estimated on the basis of their fair value on the day of acquisition, regardless of any applicable non controlling interests. Any positive difference between the cost of acquisition and the fair value of the Group's share in the identifiable net assets acquired is interpreted as goodwill. If the cost of acquisition is lower than the fair value of the identifiable net assets acquired, the difference is expressed directly in the profit and loss account.

Differences caused by changes in the ownership structure of subsidiary stock are reflected in the financial result for the preceding years.

Any revenues, expenses, settlements and unrealized gains on transactions between companies belonging to the Group are eliminated in full. Unrealized losses are also eliminated unless the nature of the transaction indicates impairment on any of the transferred assets. Accounting practices in use at subsidiary companies are altered whenever necessary to ensure compliance with accounting practices adopted by the Group.

Entities covered by the consolidated financial statement

This condensed interim consolidated financial statement for the period ending 31 March 2014 applies to the following Group members:

	capital share	voting share	consolidation method
CD PROJEKT S.A.	parent entity	-	**Full**

(all amounts listed in PLN thousands unless otherwise stated)

cdp.pl Sp. z o.o.	95%	95%	Full
GOG Poland Sp. z o.o.	100%	100%	Full
GOG Ltd.	100%	100%	Full
Brand Projekt Sp. z o.o.	100%	100%	Full

The Group has ceased to report Optibox Sp. z o.o. (in liquidation bankruptcy) as a subsidiary due to loss of control.

V. Description of applicable accounting practices

Presentation of results by activity segments

The scope of financial information reported in relation to each of the Group's activity segments is determined by IFRS 8. For each segment the result is based on net profit.

Revenues and expenses from continuing operations

Revenues are defined as the gross receipts on any economic benefits from the reported period resulting from (ordinary) economic activities of the Group and leading to an increase in its equity other than from capital increases obtained through shareholder contributions.

Revenues only cover receipts on economic benefits allocated to the Group, whether received or receivable. Revenues from sales are defined as received or receivable payments on sales of material assets and services less the applicable sales and services tax. Revenues are determined on the basis of fair payment, whether received or receivable, adjusted for any trade discounts granted by the Group. Sales revenues are recognized on the date of transfer of the relevant goods and rights of use. Where services are concerned, revenues are valid for the period a given service was performed, depending on the progression of the underlying transaction, i.e. the relationship between the current state of work and the totality of work required to render a given service.

In accordance with the principle of matching revenues and expenses, expenses associated with consumption of materials, goods and finished products are reported in the same period as their corresponding sales revenues.

Revenues and expenses from financial activities

Financial revenues consists mainly of interest on bank deposits of monetary assets, commissions and interest on loans granted, penalty interest on overdue receivables, liabilities, released provisions associated with financial activities, revenues from sales of securities, gains from exchange rate differences, reversal of impairment of investment assets and credit/loan write-offs.

Financial expenses consist mainly of interest on outstanding credits and loans, penalty interest on overdue liabilities, provisions set aside to cover certain or probable losses from financial operations, purchase value of any securities sold, commissions and handling charges, write-downs on interest owed and short-term investment valuations, discounts, exchange rate differences and, in the case of financial lease agreements, any other payments except capital payments.

State subsidies

Subsidies are not recognized until there is a reasonable certainty that a given Group member will fulfill the necessary criteria and receive the subsidy. State subsidies predicated on the condition that the recipient purchases or produces certain fixed assets are recognized in the consolidated statement of financial position in the deferred revenue line item and charged to the financial result systematically throughout the anticipate economic life of such assets.

Current and deferred income tax

The reported revenue is subject to compulsory taxation, whether current or deferred. Current tax is calculated on the basis of taxable income in a given financial year. Tax gain (or loss) differs from net accounting gain (or loss) due to exclusion of taxable deferred revenues and acquisition costs, as well as tax-exempt revenues and expenses. Tax burden is calculated on the basis of tax rates valid for a given financial year. Current tax on items included directly in the equity capital is reported in the equity statement, as opposed to the profit and loss account.

Deferred tax is calculated using the balance sheet method as the amount payable or receivable as a result of the difference between the carrying amount of assets and liabilities and their corresponding tax base amounts.

Deferred income tax liabilities are created for any taxable positive temporary differences. Assets associated with deferred tax are recognized up to the amount of probable reduction in future tax gains by any recognized negative temporary differences. A tax asset or liability is not recognized if the underlying temporary difference is due to goodwill or prior inclusion of another asset or liability in a transaction which does not affect the company's taxable or accounting revenues.

Deferred income tax liabilities are applied to temporary tax differences resulting from investments in associates and joint ventures unless the Group is capable of controlling the moment of reversal of the temporary difference and the temporary difference is unlikely to reverse in the foreseeable future.

The value of the asset associated with deferred tax is subject to analysis for each balance sheet date. If the expected future tax gains are insufficient to cover the asset or part thereof, it is written off.

Deferred tax is calculated by applying rates which will be in force on the date the corresponding gain is realized or the liability becomes due. Deferred tax is reported in the profit and loss account unless it applies to assets included directly in the equity capital in which case it is also reported in the equity capital.

■ Value added tax

All revenues, expenses and assets are recorded following deduction of the applicable value added tax, except for:

- cases where value added tax paid when purchasing assets or services cannot be recovered from state institutions in which case it is reported as part of the purchase cost of a given asset or as an expense;
- receivables and liabilities reported as inclusive of value added tax.

The net amount of value added tax recoverable from or payable to tax authorities is reported in the statement as part of the Group's receivables or liabilities.

■ Tangible assets

Tangible assets are recognized on the basis of their cost (purchase price or production cost) following deduction of depreciation and impairment for each reporting period. Borrowing costs associated directly with the purchase or construction of assets which require a long time to become usable or resaleable are added to the cost of construction of such fixed assets up until the beginning of their useful economic life. Revenues from short-term investment of borrowings related to construction of fixed assets is deducted from the borrowing costs following capitalization. Other borrowing costs are reported as expenses in the period during which they were incurred.

Depreciation is calculated for all fixed assets except land holdings and fixed assets being built, throughout their expected useful economic life, using the straight-line method.

Assets held under a financial lease agreement are depreciated throughout their useful economic life in the same way as proprietary assets.

Profits or losses on sales/liquidation or cessation of use of fixed assets are defined as the difference between their sales revenues and net value, and are reported in the profit and loss account.

■ Intangible assets

Intangible assets are recognized according to their historical cost of purchase or production, following deduction of depreciation and impairment costs. Depreciation is calculated using the straight-line method. Costs of research and development activities are not subject to activation and are reported in the profit and loss account for the period when they were incurred. Costs of development activities can only be capitalized under the following conditions:

- the project is well defined (e.g. development of new software or procedures);
- the asset being built is likely to yield economic benefits;
- project costs can be reliably estimated.

Development costs are depreciated using the straight-line method throughout their expected useful economic life, or reported in proportion to the quantity of products sold.

In this consolidated financial statement the Capital Group considers the CD PROJEKT brand name and The Witcher trademark to be its intangible assets. The value of trademarks is calculated using the relief from royalty method, which is one of the basic valuation methods for trademarks and other intangible assets in the context of business combinations, in line with IFRS 3 *Business combinations*. Trademark valuation is subject to yearly impairment tests.

Goodwill

Goodwill is defined as the positive difference between the cost of establishing a business combination (also known as acquisition or takeover cost) and the parent company's share in the net fair value of all assets and liabilities (including contingent liabilities) of the controlled entity on the date of acquisition.

Goodwill may be created either as a result of acquisition of a corporate entity, or through acquisition of an enterprise, i.e. an organized part of an entity, which is defined as a set of assets and corresponding liabilities (including contingent liabilities).

Combinations between the parent entity and other entities are accounted for using the purchase method according to which the takeover cost, calculated as the fair value of payment incurred for acquiring control over a corporate entity or part thereof (i.e. an enterprise), is allocated to identifiable assets and liabilities (including contingent liabilities) of the entity being acquired. Any surplus resulting from this allocation procedure is assumed to represent goodwill. Any negative difference between the acquisition cost and the Company's share in the net fair value of identifiable assets and liabilities (including contingent liabilities) on the date of acquisition is treated as revenues and duly reported in the profit and loss account as Other operating revenues (disaggregated).

Goodwill may be created through acquisition of a corporate entity via a court-registered merger or by acquisition of capital shares of the subsidiary. In the former case goodwill is reported in the parent company's accounts and its individual financial statement; in the latter case it is reported in the consolidation documents and in the consolidated financial statement of the Capital Group.

Goodwill is also estimated following purchase of shares in a jointly controlled entity or affiliate. If shares in a jointly controlled entity are acquired by applying the proportional consolidation method, goodwill is accounted and reported as for a controlled entity. If shares are acquired by applying the equity method (whether for a jointly controlled entity or affiliate) goodwill assessment follows the same procedure as for a controlled entity, with the exception that the equity method does not permit the acquired goodwill to be reported in the financial statement.

Impairment of non-financial assets

For each balance sheet date Group members perform an inventory of the net value of all their fixed assets in order to determine whether impairment of assets may have occurred.

If asset impairment is suspected the recoverable amount of each asset is calculated to determine the potential write-down. If a given asset does not produce a cash flow that is substantially separate from cash flows produced by other assets, analysis is performed for the whole group of cash producing assets to which the given asset belongs.

For intangible assets with an indefinite useful economic life this impairment test is performed on a yearly basis and, additionally, whenever impairment is suspected.

Recoverable amount is defined as the greater of the following two values: fair value of the asset less the cost of sale, and the asset's value in use. The latter value is defined as the balance of expected future cash flows produced by the asset, discounted using discount rates which acknowledge the market value of the relevant currency and a risk factor specific to the given asset.

If the recoverable amount of a given asset is lower than its net book value, the book value is lowered to match the recoverable amount. The loss resulting from this operation is accounted as cost in the period during which it was incurred, unless the asset had previously been carried at a revalued amount in which case the impairment is reflected by adjusting the revalued amount.

At the moment of reversal of asset impairment the net value of the asset (or group of assets) is increased to match the newly estimated recoverable amount; it cannot, however, exceed the net value of the asset which would have been reported had the impairment not been recognized during previous financial years. Reversal of asset impairment is recognized as revenues unless the asset had previously been carried at a revalued amount in which case the impairment reversal is reflected by adjusting the revaluation capital.

Investment properties

Investment properties are defined as all properties held for the expected revenues from rent, increase in value, or both. As such, cash flows produced by investment properties are largely independent from those produced by other assets belonging to Group members.

Investment properties may be estimated using the fair value or purchase cost method.

Leasing

Lease agreements are considered to be financial in nature if the agreement transfers the totality of potential benefits and risks associated with the lease to the lessee. All other forms of lease agreements are considered operating.

Assets utilized on the basis of financial lease agreements are considered to belong to the relevant Group member and are accounted by their fair value on the date of acquisition. The reported value cannot, however, exceed the current minimum total of lease payments. The lease agreement establishes a liability due to the lessor, which is represented in the account sheet as a financial lease liability. Lease payments are divided into capital and interest payments in such a way that the interest rate for the remaining portion of the liability remains fixed. Financial costs are reported in the profit and loss account. In the context of operating lease agreements, payments are allocated to costs throughout the duration of lease using the straight line method.

Investments in affiliates

Investments in affiliates are accounted on their effective date and at cost, pursuant to IAS 27. Assessment of such investments for a given balance sheet date is performed on the basis of initial cost minus the write-down associated with any permanent impairment of assets.

Financial assets

On initial recognition each member of the Group classifies each of its financial assets as:

- financial assets estimated at fair value through financial result,
- investments held to maturity,
- loans or liabilities,
- saleable financial assets.

Assets are reported in the Group member’s balance sheet at the moment the member enters into a binding agreement. On initial recognition each asset is estimated at fair value, which is increased – if the given asset or financial liability is not qualified for estimation at fair value through profit or loss – by the cost of transactions directly attributable to acquisition or issuance of the financial asset or liability.

Financial liabilities

A financial liability is defined as any liability which:

- is associated with a contractual obligation to transfer monetary or other financial assets to another entity, or exchange financial assets or liabilities with another entity under potentially disadvantageous conditions;
- is associated with a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

On initial recognition each member of the Group classifies each of its financial liabilities as:

- financial liabilities estimated at fair value through financial result,
- other financial liabilities.

On initial recognition a financial liability is estimated at fair value, which is increased – if the given liability is not qualified for estimation at fair value through financial result – by the cost of transactions directly related to said liability.

Inventories

The initial value (cost) of an inventory is the sum of all costs (related to purchase, production etc.) incurred in bringing the inventory to its current level and location. The cost of inventories is defined as the original purchase price increased by import duties and other taxes (which cannot be recovered from tax authorities), transport, loading and unloading costs, and any other costs associated with construction of inventories, and reduced by any discounts, rebates and similar deductions. Inventories are valued at initial cost (purchase price or production cost) or at net sale price, whichever is lower. The net sale price is defined as the estimated sale price reduced by any costs involved in finalizing production, facilitating the sale and finding a buyer (this includes sales and marketing expenses, etc.) In relation to inventories cost is always determined on the "first in, first out" (FIFO) basis.

Current production involves development of games. The carrying amount is determined on the basis of all development costs directly attributable to a given project and a justifiable portion of costs not directly attributable to any given project.

At the moment of finalizing development and recognizing costs incurred by a given project said costs are transferred from Ongoing development to Finished products.

In the case of projects for which a reliable estimate of sales revenues can be provided, a coefficient is derived to enable allocation of costs at the moment of sale. This coefficient bases on the total value of expenses for the finished project (reported as Finished products) in relation to the expected sales revenues.

In the case of projects for which no reliable estimate of sales revenues can be provided and no suitable cost allocation coefficient can be derived the revenues and costs are reported 1:1.

Trade and other receivables

Receivables associated with deliveries and services rendered are entered in the accounts at their nominal value, adjusted for write-downs reflecting any doubtful debts.

Accrued and deferred charges

Each member of the Group includes in its statement of deferred and accrued charges any prepayments and charges related in part or in full to subsequent reporting periods.

Deferred charges are recognized by the Group as allocated to future reporting periods, depending on when the relevant revenue is realized.

Claims related to sale of products which have been produced and accounted for in the reporting period but reported following the end of this period (in accordance with contractual obligations) are reported as trade receivables until the relevant invoices have been received.

Accrued charges are charges associated with payment for products or services which have been received or performed, but which have not been paid for, invoiced or formally agreed upon with the supplier.

CDP.pl Sp. z o.o. (formerly CD Projekt Sp. z o.o.) and GOG Ltd. purchase licensing rights which are recognized as deferred revenues. Contractual payments associated with Minimal Guarantees are debited and the corresponding sales costs are credited following commencement of sales.

Licensing allowances (accrued charges) are recognized once Minimal Guarantee thresholds are exceeded. The basis for calculating said allowances is the quantity of products sold or the amount of realized revenues.

Cash and cash equivalents

Cash assets are defined as cash on hand and any deposits payable on demand. Cash equivalents represent highly liquid short-term investments easily exchangeable for a known quantity of cash and subject to low depreciation risk.

Assets held for sale and discontinuing operations

Tangible assets held for sale (as well as net disposal groups) are valued at either their carrying amount or their fair value less the cost of sale, whichever is lower.

Tangible assets and disposal groups are classified as held for sale if their carrying amount is expected to be retrieved by way of sale rather than continued use. This condition is only considered fulfilled if the sale transaction is highly likely to occur and the given asset (or disposal group) is available for immediate sale in its present form. Designating a given asset as held for sale conveys the company management’s intention to conclude the sale transaction within one year of such a designation being made.

Equity

Equity is treated in accounting practice with distinction to its type and in accordance with the applicable legal constraints, as well as any statutory requirements and conditions expressed in the contracts to which the Group member is a party.

Share capital is reported at nominal value, in the amount consistent with the parent company’s statute and its record in the court register.

Supplementary capital is derived from:

- the positive difference between the issue price of shares and their corresponding nominal value less the cost of issuance. Said costs, incurred while establishing a joint-stock company or increasing its share capital, limit the capital to the excess of issue price over the nominal value of shares;
- profit earned and reported as Other capital contributions.

Provisions for liabilities

Provisions are made whenever a Group member faces a liability (whether legal or customary) resulting from past events, it is likely that discharging said liability will reduce the Group member’s economic advantage and the liability can be reliably estimated. No provisions are made for future operating losses.

Restructuring cost allowances are made only when the Group member has revealed a detailed and formalized restructuring plan to all interested parties.

Provisions for expected repair costs of Optimus hardware and hardware components covered by warranties

Warranty repair provisions – services related to warranty repairs of Optimus hardware and hardware components have been subcontracted to an external entity. The allowance covers the entire duration of the service agreement, adequate to the duration of warranties provided.

Provisions for marketing bonuses

CDP.pl Sp. z o.o. has concluded cooperation contracts/agreements with bulk purchasers, i.e. supermarkets and retail chains. Under these agreements allowances for marketing bonuses are allocated on a monthly basis. Provisions are contractually established as a percentage value and typically depend on achieving the predetermined sales threshold. Monthly turnover, treated as the basis for calculating provisions, includes any returns accepted in the month for which provisions are made.

Employee benefits

The costs of short-term employee benefits other than those stemming from termination of employment and equity compensation are recognized as liabilities following adjustment for any payments already made and, at the same time, as expenses during the period, unless a given benefit is includable in the cost of construction of an asset. The Group does not provide any employee benefit programs following termination of employment.

On 16 December 2011 the Extraordinary General Meeting of Shareholders of CD Projekt RED S.A. voted to institute an incentive program for personnel viewed as crucially important for the Capital Group as a whole and having a decisive influence upon the development of individual activity branches of the Group. A set of targets were established and the Management Board and Supervisory Board of the Company selected a number of persons who, assuming these profit and marketing goals are met, are rewarded with warrants entitling them to acquire company shares by way of a conditional increase in the Company's equity capital. Details are presented in Current Report No. 73/2011 of 17 December 2011.

Bank credits and loans

Any bank credits on which interest is charged (including overdraft facilities) are recognized in the amount of acquired revenues less the cost of acquisition. Financial costs, including commissions charged upon repayment or waivers, as well as direct costs of obtaining credit are reported in the profit and loss account using the accrual accounting method and included in the book value of the instrument adjusted for any repayments made in the reporting period. Accounting practices related to credits are also applied to loans. Loans granted are estimated at their acquisition cost adjusted by applying the effective interest rate.

Trade and other liabilities

Liabilities pertaining to supplies and services are reported in their nominal amount. Financial liabilities and equity instruments are classified according to their commercial substance which depends on contractual obligations. Equity instruments are defined as contracts granting a share in the Group's equity less any applicable liabilities.

Licenses

The value of acquired licenses is reported on the basis of received invoices as the balance of prepaid expenses, increased by contractual uninvoiced minimum guarantees. The cost of acquired licensing rights is entered in the accounts in proportion to sales volume. Once the balance of prepaid expenses is exceeded, the remaining amount is reported in the trade liabilities line item.

Borrowing costs

Borrowing costs associated with the purchase, construction or creation of a qualifying asset are recognized as a component of its acquisition or construction cost (IAS 23).

Payment of dividends

Dividends are recognized at the moment the Company shareholders become entitled to receive them.

VI. Functional currency and presentation currency

Functional currency and presentation currency

All items in the financial statement are expressed in the currency of the primary economic environment in which the Group operates (functional currency). The financial statement is presented in Polish Zlotys (PLN), which is the functional and presentation currency of the Group and the Company.

Transactions and balances

Transactions expressed in foreign currencies are converted to the functional currency according to the exchange rate on the date of the transaction. Exchange rate losses and gains on settlement of transactions and on valuation of assets and liabilities expressed in foreign currencies are reported in the profit and loss statement unless deferred in the equity capital as a cash flow hedges and hedges of net investments.

VII. Important values based on professional judgment and estimates

Professional judgment

In applying accounting practices (policies) to the issues listed below, a key aspect – in addition to accounting estimates – is the professional judgment of Company management.

Classification of lease agreements

Group members classify lease agreements as either operating or financial based on their assessment of the degree to which the risk and benefits from possessing the leased asset accrue to the lessee as opposed to the lessor. This assessment is based on the commercial substance of each agreement.

Uncertainty of estimation

This section presents key assumptions regarding future conditions and other fundamental sources of uncertainty, as of the balance sheet date, which may pose a serious risk of significant adjustments in asset and liability valuation during the coming financial year.

Impairment of assets

Goodwill and trademark value impairment tests require an assessment of the value in use of each cash generating unit to which Group members belong. This assessment is based on a projection of future cash flows generated by individual cash generating units and requires an estimate of the discount rate applied when conducting pending assessment of the value of said flows. The last tests of the CD PROJEKT brand name and the The Witcher trademark were conducted on 31 October 2012. As of 31 December 2012 no circumstances were identified which would suggest impairment of these assets. Asset impairment tests in individual subsidiaries were last conducted on 31 December 2012.

Valuation of provisions

Provisions for employee pensions and the incentive program were estimated on the basis of actuarial gains and losses.

Work in progress

In the case of projects for which a reliable estimate of sales revenues can be provided, a coefficient is derived to enable allocation of costs at the moment of sale. This coefficient bases on the total value of expenses for the finished project (reported as Finished products) in relation to the expected sales revenues.

In the case of projects for which no reliable estimate of sales revenues can be provided and no suitable cost allocation coefficient can be derived the revenues and costs are reported 1:1.

Deferred tax assets

Group members recognize deferred tax assets by anticipating future taxable revenues which may require recognition of such assets. A drop in future economic performance might render such assumptions invalid.

Deferred tax liabilities

In its current financial condition the Group recognizes deferred income tax liabilities by assuming future tax liabilities arising from positive temporary differences, enabling the given liability to be consumed.

Fair value of financial instruments

Financial instruments for which there is no active market are estimated using appropriate methods. In selecting the suitable methods and assumptions each Group member applies its professional judgment.

Depreciation rates

Depreciation rates are determined on the basis of the expected useful economic life of tangible equity assets and intangible assets. Each Group member performs yearly validations of the assumed useful economic life of its assets, based on current estimates.

VIII. Changes in accounting practices (policies)

The accounting practices (policies) applied in preparing this consolidated financial statement are consistent with those applied in preparing the consolidated financial statement for the year ending 31 December 2013, with the exception of the presentation-related change described in section 3 part III regarding assumption of going concern and comparability of financial statements.

IX. New standards awaiting implementation by the Group

Standards and interpretations applicable to yearly reporting periods starting on or after 1 January 2014

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities
- IAS 27 (amended) Separate financial statements
- IAS 28 (amended) Investments in associates and joint ventures
- IAS 32 (amended) Financial instruments: presentation – offsetting financial instruments and liabilities
- Amendments to IFRS 10 Consolidated financial statements, IFRS 12 Disclosure of interests in other entities and IAS 27 Separate financial statements – investment entities
- Amendment to IAS 36 – Impairment of assets – Recoverable amount disclosures for non-financial assets
- Amentment to IAS 39 – Financial instruments: recognition and measurement – Novation of derivatives and continuation of hedge accounting

Standards and interpretations adopted by the IASB but not yet approved by the EU

- IFRS 9 Financial instruments (of 12 November 2009 with subsequent changes to IFRS 9 and IFRS 7 adopted on 16 December 2011).

  The new standard replaces the guidelines contained in IAS 39 Financial Instruments: recognition and measurement with regard to classification and measurement of financial assets. It eliminates the distinction between assets held to maturity, assets held for sale and loans/payables, as listed in IAS 39. On initial recognition financial assets are instead grouped into:

  - financial assets masured using the amortised cost method,
  - financial assets measured at fair value.

  A financial asset is measured using the amortised cost method if the following two conditions are fulfilled: the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realise its fair value changes), and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

  Gains and losses on financial assets measured at fair value are to be entered into the accounts for the current period unless the investment is not held for trading. IFRS 9 enables financial assets to be measured at fair value on initial recognition and entered into the accounts as Other comprehensive income. This decision is irreversible and can be taken for each asset separately. Assets recognized in this manner cannot be transferred to profit or loss at a later date.

- Changes to IAS 19 Employee benefits – applicable to reporting periods beginning on or after 1 July 2014.

  The proposed change stipulates that contributions from employees or third parties related to a given period of service should be deducted from employment costs and entered into the accounts for that period.

  Other contributions should be attributed to periods of service in the same manner as gross benefits covered by a given program.

- Amendments to IFRS (2010-2012) – procedural changes concerning yearly updates to IFRS standards, applicable to reporting periods beginning on or after 1 July 2014.

- Amendments to IFRS (2011-2013) – procedural changes concerning yearly updates to IFRS standards, applicable to reporting periods beginning on or after 1 July 2014.

- IFRIC 21: Levies (of 20 May 2013) – applicable to reporting periods beginning on or after 1 January 2014.

  This interpretation concerns IAS 37 Provisions, contingent liabilities and contingent assets. One of the criteria for recognizing a liability under IAS 37 is the required existence of a pending obligation arising from a past event (referred to as the obligating event).

  The interpretation states that in the case of any duties levied by the government the corresponding obligating event is the performance of actions to which such duties are applicable under existing law. This interpretation does not cover penalties arising from unlawful actions or duties regulated by other IFRS/IAS standards (such as IAS 12 Income taxes).

- IFRS 14: Regulatory Deferral Accounts – applicable to reporting period beginning on or after 1 January 2016.

  This standard was published in the framework of a broader project concerning rate-regulated activities and addressing the comparability of financial statements in areas subject to regulation by supervisory or control organs (depending on the jurisdiction such areas often include heat and energy distribution, trading in electricity and natural gas, telecommunication services etc.)

  IFRS 14 does not broadly cover accounting of rate-regulated activities; instead it defines the rules of recognizing revenues and expenses stemming from market regulations which do not fall under the provisions of other IFRS regarding recognition of assets and liabilities.

  The applicability of IFRS 14 is limited to cases where the entity in question conducts rate-regulated activities and has recognized amounts in its previous GAAP financial statements that meet the definition of regulatory deferral account balances.

  According to IFRS 14 such amounts should instead be reported separately in the statement of financial position and the profit and loss statement. They are not to be subdivided into fixed and operating units and should not be treated as assets or liabilities – instead, they are designated as “regulatory deferral account balances”.

  The profit and loss account should present net changes in deferral account balances in its other comprehensive income section and in the profit and loss section (or in separate profit and loss statements, where appropriate).

4

Additional notes and explanations regarding the condensed interim consolidated financial statement

Note 1. Description of the Issuer's significant accomplishments and shortcomings in the reporting period

In the first quarter of 2014 the significant accomplishments of the Group in each of its activity segments were as follows:

■ Videogame development

From the business perspective, the first part of 2014 was dominated by negotiations and conclusion of additional distribution agreements. In January the Company announced that it had reached an agreement with Namco Bandai Games concerning exclusive distribution rights for The Witcher 3 in Australia and New Zealand. In February the Company signed an agreement with Agora S.A., making Agora a co-publisher of The Witcher 3 in Poland. Domestic distribution rights were retained by cdp.pl Sp. z o.o., a subsidiary of the Group. In March 2014 the Company confirmed that promotional and distribution activities in the Middle East would be handled by LS2 Pluto, a leader in videogame distribution in this region. LS2 Pluto carries out operations in the United Arab Emirates, Saudi Arabia, Qatar, Kuwait, Liban, Bahrain, Jordan and Egypt, among others. Following the conclusion of the reporting period the Company announced that it had licensed distribution rights in the South African Republic to Megarom Interactive – a key importer and distributor of videogames on the South African market.

Early in 2014 the Company announced its intent to publish The Witcher Adventure Game, in collaboration with Fantasy Flight Games – a global leader in production and distribution of board games. Additionally, an electronic version of the game was announced for tablet devices.

In March the Company announced that The Witcher 3: Wild Hunt would be released in February 2015. In the Management Board's opinion the technical excellence of the game will be a critical factor in ensuring its commercial success. The Company believes that this extra time will enable it to release a product which meets stringent quality standards.

Later in March the Company announced that, in accordance with its growth strategy, it intends to enter the mobile videogame market. For over a year the Company had been developing a multiplatform mobile game in collaboration with an external development studio. This project is entirely separate from ongoing work on The Witcher 3: Wild Hunt and Cyberpunk 2077. The new game is one of two mobile releases scheduled for 2014 (the other being the electronic edition of The Witcher Adventure Game).

The closing days of Q1 2014 saw the debut of The Witcher comic, published by the American publisher Dark Horse Comics in collaboration with CD Projekt RED. Dark Horse Dark Hose Comics is among the largest and most renowned publishers of comic books worldwide, managing such notable series as Star Wars, Alien, Predator, Conan and Buffy: Vampire Slayer. It also has substantial experience with videogame adaptations, having collaborated on franchises such as Halo and Mass Effect. Many Dark Horse comics have been spun off into successful motion pictures – The Mask, Virus, TimeCop, Mystery Men and R.I.P.D. to name just a few.

■ Global digital videogame distribution

In parallel with standard distribution activities, GOG.com worked to extend and enhance its offering. Two major projects are underway and the first of those will be unveiled at E3 in Los Angeles. The rollout of new technologies should enable the Company to extend its portfolio with new releases, heretofore unavailable under the GOG.com business model. It should also help the Company attract potential clients who find the current version of the platform lacking.

■ Distribution and publishing activities in Poland

Digital distribution

The beginning of the new year is traditionally a period of sales and clearances. Accordingly, the highlight of Q1 2014 in the domestic digital distribution segment was an event called Wielki Giermasz Cyfrowy (*Grand Digital Game Sale*), an online counterpart to a hugely popular live event organized in collaboration with the Biedronka retail store chain. The sale was featured in mainstream online media such as Interia, Onet, Spidersweb and CD Action. More than 50 thousand users interacted with the company's social media profiles during this period.

In February 2014 cdp.pl signed a new digital distribution agreement with Warner Bros. Home Entertainment – the world's largest publisher of motion pictures. An initial batch of 30 movies was selected for inclusion in the cdp.pl catalogue, including such cult classics as Matrix, Batman, Lord of the Rings, Harry Potter and the recent blockbuster Gravity (7 Academy Awards; available prior to its official release on the home entertainment market).

Soon after the close of the reporting period the Company extended its catalogue with releases for Apple computers. The dedicated “Mac Zone” launched with over 150 titles, including CD Projekt RED’s The Witcher and The Witcher 2, in addition to products from such renowned publishers are Electronic Arts, Warner Bros. and Paradox Interactive. Over time, the Company intends to add further products – new releases and popular classics.

Retail distribution of PC games and motion pictures

The cdp.pl catalogue was extended with Konami brands: Castlevania: Lords of Shadow 2 and Metal Gear: Ground Zero. Additionally, the Company began distributing products by Focus Home Interactive (including Wargame: Red Dragon and Red Flame) and Milestone (Moto GP and MXGP).

In addition to new releases the company continues to successfully manage its back catalogue with particular focus on Blizzard products and simulators. cdp.pl has set up a Brand Zone on Allegro (a popular Polish online auction service) offering videogames from Blizzard Entertainment and Disney.

In Q1 2014 cdp.pl, together with the Biedronka retail chain, organized an event called Wielki Giermasz (Grand *Game Sale*), stocking Biedronka stores with nearly 400 thousand copies of 300 games offered at a discount price of 9.99 PLN. The event proved enormously popular with clients and the media. On the first day alone 120 thousand units were sold – a near-record on the domestic videogame market.

An important highlight of Q1 2014 was the debut of Diablo III: Reaper of Souls, an official expansion pack for one of the most popular games on the domestic market – Diablo III, which sold approximately 250 thousand copies in Poland. The launch event for Diablo III: Reaper of Souls was held on 24 March at the Złote Tarasy shopping mall in the heart of Warsaw.

Note 2. Description of circumstances affecting assets, liabilities, equity, net financial result and cash flows which are unusual due to their type, size or effect

Important events

In Current Report No. 2/2014 of 7 February 2014 the Management Board disclosed the licensing agreement for The Witcher 3: Wild Hunt, concluded with Agora S.A., headquartered in Warsaw.

According to the contract the Company grants Agora a license to use the Polish language release of the Game for the PC, Microsoft Xbox One and Sony PlayStation 4 insofar as it is necessary to ensure distribution of the boxed and digital versions of the game throughout the Republic of Poland. The contract broadly specifies how the game should be distributed, including a provision for sublicensing distribution rights to cdp.pl z o.o., and contains provisions governing the game’s promotional campaign.

The Company’s compensation due to the license grant will be estimated on the basis of Agora’s net revenues less the agreed-upon distribution fees and promotional expenses. Financial obligations will be settled on a quarterly basis, according to sales reports prepared by cdp.pl.

In addition to the above, a separate distribution contract was concluded between Agora and cdp.pl, which is a subsidiary of CD PROJEKT S.A., concerning an exclusive sublicense grant to cdp.pl insofar as it is necessary to ensure distribution of the game within the Republic of Poland by cdp.pl. The sublicensing agreement broadly specifies the manner in which boxed and digital releases of the game should be distributed for the PC, Microsoft Xbox One and Sony PlayStation 4.

Agora’s compensation due to the sublicense grant will be estimated on the basis of cdp.pl revenues attributable to distribution of the game in each of its distribution channels.

Both contract will remain in force throughout an 18-month period following the game’s initial release.

As collateral for financial liabilities associated with the above mentioned contracts, the Company issued a blank promissory note and filed a notarized declaration of submission to enforcement.

In the Management Board's opinion both contracts, which are substantially similar to other agreements previously concluded with Agora and concerning distribution of The Witcher 2: Assassins of Kings within Poland, position Agora as a co-publisher of the game and should result in a marked improvement in the effectiveness of the Game's promotional campaign, contributing to its ultimate market success.

Note 3. Description of important changes in estimates

Changes in fixed assets (by category) between 1 January and 31 March 2014

PLN thousands	Land holdings	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01 Jan 2014	**346**	**13 049**	**6 528**	**1 481**	**287**	**131**	**21 822**
Increases from:	**-**	**-**	**489**	**90**	**-**	**-**	**579**
- purchases	-	-	*358*	-	-	-	*358*
- own construction	-	-	-	-	-	-	-
- leasing agreements	-	-	-	*90*	-	-	*90*
- reclassification	-	-	*131*	-	-	-	*131*
- acquisition free of charge	-	-	-	-	-	-	-
Reductions from:	**-**	**-**	**20**	**243**	**-**	**131**	**394**
- sales	-	-	*15*	*243*	-	-	*258*
- liquidation	-	-	*5*	-	-	-	*5*
- reclassification	-	-	-	-	-	*131*	*131*
-other	-	-	-	-	-	-	-
Gross carrying amount as of 31 Mar 2014	**346**	**13 049**	**6 997**	**1 328**	**287**	**-**	**22 007**
Amortization as of 01 Jan 2014	**-**	**5 081**	**4 685**	**646**	**223**	**-**	**10 635**
Increases from:	**-**	**170**	**368**	**65**	**3**	**-**	**606**
- amortization	-	*170*	*368*	*65*	*3*	-	*606*
Reductions from:	**-**	**-**	**20**	**185**	**-**	**-**	**205**
- sales	-	-	*15*	*185*	-	-	*200*
- liquidation	-	-	*5*	-	-	-	*5*
- other	-	-	-	-	-	-	-
Amortization as of 31 Mar 2014	**-**	**5 251**	**5 033**	**526**	**226**	**-**	**11 036**
Impairment losses as of 01 Jan 2014	-	-	-	-	-	-	-
Impairment losses as of 31 Mar 2014	-	-	-	-	-	-	-
Net carrying amount as of 31 Mar 2014	**346**	**7 798**	**1 964**	**802**	**61**	**0**	**10 971**

Amount of contractual commitments for future acquisition of tangible fixed assets

PLN thousands	31.03.2014	31.12.2013	31.03.2013
Leasing of passenger cars	*586*	*575*	*502*
Subsidy - Deployment of integrated ERP software	*1 080*	*1 127*	*1 346*
Subsidy - IT infrastructure upgrades	*-*	*-*	*-*
Total	**1 666**	**1 702**	**1 848**

Changes in intangible assets between 1 Jan and 31 Mar 2014

PLN thousands	Trademarks	Patents and licenses	Computer software	Goodwill	Intangible assets under construction	Other	Total
Gross carrying amount as of 01 Jan 2014	**15 105**	**2 654**	**12 084**	**46 417**	**295**	**17 292**	**93 847**
Increases from:	**-**	**251**	**433**	**-**	**430**	**-**	**1 114**
- pruchases	*-*	*251*	*433*	*-*	*105*	*-*	*789*
- reclassification	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- other	*-*	*-*	*-*	*-*	*325*	*-*	*325*
Reductions from:	**-**	**-**	**78**	**-**	**-**	**-**	**78**
- sales	*-*	*-*	*78*	*-*	*-*	*-*	*78*
- liquidation	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- reclassification	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Gross carrying amount as of 31 Mar 2014	**15 105**	**2 905**	**12 439**	**46 417**	**725**	**17 292**	**94 883**
Amortization as of 01 Jan 2014	**1**	**2 190**	**8 770**	**-**	**-**	**66**	**11 027**
Increases from:	**-**	**20**	**198**	**-**	**-**	**2**	**220**
- amortization	*-*	*20*	*198*	*-*	*-*	*2*	*220*
- reclassification	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Reductions from:	**-**	**-**	**78**	**-**	**-**	**-**	**78**
- liquidation	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- sales	*-*	*-*	*78*	*-*	*-*	*-*	*78*
- reclassification	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Amortization as of 31 Mar 2014	**1**	**2 210**	**8 890**	**-**	**-**	**68**	**11 169**
Impairment losses as of 01 Jan 2014	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Impairment losses as of 31 Mar 2014	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Net carrying amount as of 31 Mar 2014	**15 104**	**695**	**3 549**	**46 417**	**725**	**17 224**	**83 714**

Amount of contractual commitments for future acquisition of intangible assets

PLN thousands	31.03.2014	31.12.2013	31.03.2013
Licensing software	-	-	20
ERP business software - Dynamics AX	246	-	-
Total	**246**	**-**	**20**

Changes in goodwill related to consolidation

PLN thousands	31.03.2014	31.12.2013	31.03.2013
CDP Investment Group companies	46 417	46 417	46 417
Total	**46 417**	**46 417**	**46 417**

Changes in goodwill

PLN thousands	31.03.2014	31.12.2013	31.03.2013
Gross carrying amount at beginning of period	**46 417**	**46 417**	**46 417**
Increases due to acquisition of entities	-	-	-
Reductions due to acquisition of entities	-	-	-
Gross carrying amount at end of period	**46 417**	**46 417**	**46 417**
Impairment losses	**-**	**-**	**-**
Net goodwill	**46 417**	**46 417**	**46 417**

Changes in inventory status

PLN thousands	31.03.2014	31.12.2013	31.03.2013
Other materials	-	-	66
Semi-finished products and production in progress	49 338	40 415	21 436
Finished products	3 157	4 193	8 365
Goods	5 980	7 749	6 944
Gross inventories	**58 475**	**52 357**	**36 811**
Inventory impairment losses	305	391	400
Net inventories	**58 170**	**51 966**	**36 411**

Changes in inventory revaluation

PLN thousands	Revaluation write-downs on intermediates and ongoing production	Revaluation write-downs on goods	Total revaluation write-downs
As of 01 Jan 2014	10	381	391
Increases from:	-	80	80
impairment losses in correspondence with other operating expenses	*-*	*80*	*80*
Reductions from:	-	166	166
release of of write-downs in correspondence with cost of sales	*-*	*166*	*166*
As of 31 Mar 2014	10	295	305

Changes in receivables

PLN thousands	31.03.2014	31.12.2013	31.03.2013
Trade and other receivables	35 007	21 821	21 658
- from affiliates	*1*	*-*	*2*
- from external entities	*33 155*	*20 920*	*21 005*
- income tax receivables	*1 851*	*901*	*651*
Impairment lossess	1 715	2 255	2 350
Gross receivables	36 722	24 076	24 008

Changes in impairment losses on receivables

PLN thousands	Trade receivables	Other receivables
AFFILIATES		
Impairment losses as of 01 Jan 2014	116	-
Increases	-	-
Reductions	-	-
Impairment losses as of 31 Mar 2014	116	-
EXTERNAL ENTITIES		
Impairment losses as of 01 Jan 2014	960	1 179
Increases, including:	2	-
- Impairment losses on past-due and contested receivables	*2*	*-*
Reductions, including:	542	-
- dissolution of impairment losses	*-*	*-*
- elimination of impairment losses due to collection of receivables	*54*	*-*
- elimination of impairment losses by write-offs	*488*	*-*
Impairment losses as of 31 Mar 2014	420	1 179
Aggregate impairment losses as of 31 Mar 2014	536	1 179

Current and past-due trade receivables as of 31 Mar 2014

PLN thousands	Total	Days past due					
		<0	0 - 60	61 - 90	91 - 180	181 - 360	>360
AFFILIATES							
gross receivables	*116*	-	-	-	-	-	*116*
impairment losses	*116*	-	-	-	-	-	*116*
Net receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**
EXTERNAL ENTITIES							
gross receivables	*25 467*	*23 133*	*294*	*164*	*432*	*969*	*475*
impairment losses	*420*	-	-	-	-	-	*420*
Net receivables	**25 047**	**23 133**	**294**	**164**	**432**	**969**	**55**
TOTAL							
gross receivables	*25 583*	*23 133*	*294*	*164*	*432*	*969*	*591*
impairment losses	*536*	-	-	-	-	-	*536*
Net receivables	**25 047**	**23 133**	**294**	**164**	**432**	**969**	**55**

Net trade receivables more than 360 days past due include:
- cdp.pl Sp. z o. o. receivables from retail networks with longer settlement periods (52 thousand PLN),
- other cdp.pl Sp. z o.o. receivables (3 thousand PLN).

Prepaid expenses

PLN thousands	31.03.2014	31.12.2013	31.03.2013
Non-life insurance	*59*	*40*	*51*
Business travel insurance	*16*	*12*	*1*
License fees	*7 775*	*7 820*	*12 390*
Online access to legal support portal	-	*1*	-
Civil law transaction tax on capital increases	*9*	*9*	*9*
Software, licenses	*77*	*44*	-
Air travel	*9*	*18*	-
Other prepaid expenses	*445*	*368*	*317*
Total prepaid expenses	**8 390**	**8 312**	**12 768**

Negative temporary differences requiring recognition of deferred tax assets

PLN thousands	31.03.2014	reductions	increases	31.12.2013
Provisions for other employee benefits	*134*	*80*	*89*	*125*
Other provisions	*105*	*219*	*33*	*291*
Negative exchange rate differences	*257*	*27*	*145*	*139*
Employee compensation and social security expenses payable in subsequent reporting periods	*1*	*61*	*0*	*62*
Inventory revaluation write-downs	*303*	*391*	*305*	*389*
Liability revaluation write-downs	*17*	*18*	*18*	*17*
Licenses	*-*	*1 326*	*-*	*1 326*
Provisions for lease expenses	*100*	*-*	*13*	*87*
Deposit discount	*15*	*-*	*-*	*15*
Marketing and other bonuses	*1 114*	*16*	*458*	*672*
Incentive program	*1 139*	*-*	*150*	*989*
Reserve and asset offsets	*(147)*	*147*	*139*	*(139)*
Total negative temporary differences	**3 038**	**2 285**	**1 350**	**3 973**
Tax rate (Poland)	*19%*	*19%*	*19%*	*19%*
Tax rate (Cyprus)	*12.5%*	*12.5%*	*12.5%*	*12.5%*
Deferred tax assets at end of reporting period	**578**	**434**	**257**	**755**

Positive temporary differences requiring recognition of deferred tax liabilities

PLN thousands	31.03.2014	reductions	increases	31.12.2013
Positive exchange rate differences	*206*	*532*	*94*	*644*
Revaluation of long-term liabilities - interest due	*-*	*39*	*-*	*39*
Income in the current period invoiced in the following period, and sales returns	*943*	*3 415*	*1 156*	*3 202*
CD PROJEKT brand name	*1 332*	*-*	*918*	*414*
The Witcher trademark	*15 104*	*-*	*-*	*15 104*
Revaluation of currency futures (cash flow collateral) at fair value	*100*	*-*	*100*	*-*
Other sources	*98*	*140*	*102*	*136*
Reserve and asset offsets	*(147)*	*147*	*139*	*(139)*
Total positive temporary differences	**17 636**	**4 273**	**2 509**	**19 400**
Tax rate (Poland)	*19%*	*19%*	*19%*	*19%*
Tax rate (Cyprus)	*12.5%*	*12.5%*	*12.5%*	*12.5%*
Deferred tax liabilities at end of reporting period	**3 351**	**812**	**477**	**3 686**

Net deferred tax assets/liabilities

PLN thousands	31.03.2014	31.12.2013	31.03.2013
Deferred tax assets	*578*	*755*	*1 953*
Deferred tax liabilities - continuing operations	*3 351*	*3 686*	*4 653*
Net deferred tax assets/liabilities	**(2 773)**	**(2 931)**	**(2 700)**

Provisions for employee benefits and similar liabilities

PLN thousands	31.03.2014	31.12.2013	31.03.2013
Provisions for retirement benefits and pensions	*39*	*39*	*28*
Provisions for other employee benefits (including bonuses)	*95*	*143*	*89*
Total, including:	**134**	**182**	**117**
- long-term provisions	*37*	*37*	*26*
- short-term provisions	*97*	*145*	*91*

Changes in provisions

PLN thousands	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01.01.2014	**39**	**143**	**182**
Provisions created	-	*69*	*69*
Benefits paid out	-	*117*	*117*
Provisions dissolved	-	-	-
As of 31.03.2014, including:	**39**	**95**	**134**
- long-term provisions	*37*	-	*37*
- short-term provisions	*2*	*95*	*97*

As of 01.01.2013	**28**	**236**	**264**
Provisions created	-	*55*	*55*
Benefits paid out	-	*201*	*201*
Provisions dissolved	-	*1*	*1*
As of 31.03.2013, including:	**28**	**89**	**117**
- long-term provisions	*26*	-	*26*
- short-term provisions	*2*	*89*	*91*

Other provisions

PLN thousands	31.03.2014	31.12.2013	31.03.2013
Provisions for warranty-covered repairs and returns	**-**	**6**	**75**
Provisions for liabilities, including:	**66**	**122**	**69**
- provisions for financial statement audit expenses	*-*	*47*	*-*
- provisions for consulting expenses	*29*	*63*	*-*
- provisions for bought-in services	*31*	*6*	*48*
- provisions for licensing liabilities	*6*	*6*	*-*
- provisions for legal services	*-*	*-*	*7*
- provisions for advertising costs	*-*	*-*	*14*
Other provisions	**-**	**-**	**-**
Total, including:	**66**	**128**	**144**
- long-term provisions	*-*	*-*	*-*
- short-term provisions	*66*	*128*	*144*

Changes in other provisions

PLN thousands	Provisions for warranty-covered repairs and returns	Provisions for liabilities	Total
As of 01.01.2014	**6**	**122**	**128**
Provisions created	*-*	*32*	*32*
Benefits paid out	*5*	*88*	*93*
Provisions dissolved	*1*	*-*	*1*
As of 31.03.2014, including:	**-**	**66**	**66**
- long-term provisions	*-*	*-*	*-*
- short-term provisions	*-*	*66*	*66*

As of 01.01.2013	**77**	**96**	**173**
Provisions created	*-*	*63*	*63*
Benefits paid out	*2*	*82*	*84*
Provisions dissolved	*-*	*8*	*8*
As of 31.03.2013, including:	**75**	**69**	**144**
- long-term provisions	*-*	*-*	*-*
- short-term provisions	*75*	*69*	*144*

Note 4. Other important information

Operating costs

PLN thousands	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
Depreciation	*791*	*708*
Consumption of materials and energy	*433*	*302*
External services	*7 744*	*3 943*
Taxes and fees	*97*	*168*
Employee compensation, social security and other benefits	*6 545*	*4 871*
Business travel	*296*	*219*
Other costs, including:	***1 163***	***1 400***
- recruitment costs	*56*	*163*
- participation in fairs, exhibitions and conferences	*-*	*38*
- use of company cars	*54*	*51*
- representation and advertising	*921*	*997*
- provisions for tax non-deductible expenses	*39*	*38*
- insurance	*47*	*58*
- other expenses	*46*	*55*
Changes in inventories	*(8 764)*	*(4 286)*
Value of goods and materials sold	*11 678*	*9 097*
Exchange rate differences from continuing operations	*769*	*(123)*
Cost of products and services sold	*10 628*	*9 075*
Total	**31 380**	**25 374**
Selling costs	*5 204*	*4 633*
General and administrative costs	*3 101*	*2 692*
Cost of sales	*23 075*	*18 049*
Total	**31 380**	**25 374**

Other operating revenues

PLN thousands	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
Elimination of write-downs for receivables	*542*	*277*
Subsidies	*47*	*46*
Write-downs on expired liabilities	*-*	*1*
Offset on damages, penalties and fines received	*12*	*104*
Reinvoicing revenues	*76*	*71*
Profit from sales of fixed assets	*33*	*7*
Dissolution of unused provisions	*1*	*-*
Other operating revenues, including:	***1 148***	***41***
- repossession gains received	*2*	*1*

- dissolution of provisions	*-*	*1*
- goods and materials received free of charge	*4*	*27*
- civil law transaction tax reimbursement	*1 118*	*-*
- other miscellaneous operating revenues	*24*	*12*
Other sales	*8*	*100*
Total	**1 867**	**647**

Other operating expenses

PLN thousands	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
Trade receivable revaluations	*2*	*45*
Write-downs on expired receivables	*521*	*262*
Reinvoicing costs	*74*	*69*
Unrecoverable withholding tax	*2*	*-*
Other expenses, including:	***83***	***109***
- disposal costs of goods and materials	*83*	*94*
- others	*-*	*15*
Total	**682**	**485**

Financial revenues

PLN thousands	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
Revenues from interest:	***150***	***65***
- on bank deposits	*150*	*64*
- on trade receivables	*-*	*1*
Other financial revenues, including:	***1 131***	***832***
- gains from exchange rate differences	*642*	*777*
- revenues from investment fund shares	*1*	*5*
- investment fund valuation	*-*	*1*
- net revenues from sales of financial assets designated at fair value through financial result	*-*	*48*
- revenues from sales of investments	*36*	*-*
- interest collected	*243*	*-*
- revenues from sales of financial assets	*107*	*-*
- forward contract valuation	*101*	*-*
- other	*1*	*1*
Total financial revenues	**1 281**	**897**

Financial expenses

PLN thousands	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
Interest payments:	***25***	***144***
- on bank loans	*12*	*134*
- on leasing contracts	*13*	*10*
Other financial expenses, including:	***34***	***49***
- bank fees	*26*	*48*
- foreign exchange forward transactions	*5*	*-*
- interest on liabilities owed to the state	*-*	*1*
- investment revaluations	*3*	*-*
Net loss on sales of assets and liabilities designated at fair value through financial result	***-***	***-***
Net profit and loss from exchange rate differences associated with financial activities	***-***	***-***
Total financial expenses	**59**	**193**

Note 5. Operating segments

The operations of the CD PROJEKT Capital Group are divided into four activity segments:

- Distribution and publishing in Poland,
- Videogame development,
- Global digital videogame distribution,
- Other activities.

Distribution and publishing in Poland

cdp.pl Sp. z o.o. (formerly CD Projekt Sp. z o.o.), a subsidiary of the CD PROJEKT Capital Group, is among the leading Polish publishers and distributors of videogames on the PC and consoles, as well as DVD and Blu-ray motion pictures. Products offered by cdp.pl Sp. z o.o. are licensed or purchased from external suppliers and sold via domestic retail distribution channels. cdp.pl Sp. z o.o. carries out distribution of localized (i.e. translated into the local language) editions of PC, Xbox 360 and PlayStation games from many global developers and publishers. This activity is usually carried out on the basis of exclusive distribution agreements. Since 2012 the company is also the exclusive Polish partner of Wizard of the Coast which distributes collector's editions of board and card games.

In October 2012 cdp.pl launched its proprietary digital distribution platform, www.cdp.pl, distributing videogames directly to final customers. Compared to other digital content distribution platforms www.cdp.pl is notable in that it carries a diverse range of products (games, motion pictures, e-books, e-comics and audiobooks) and enables clients to download products directly to their own devices for personal use (unlike VOD platforms). Products distributed via www.cdp.pl are licensed from foreign and domestic suppliers and, for the most part, undergo full localization. The platform offers a number of competitive advantages such as the lack of any hidden costs or overheads, instant delivery of products, transaction security and the best technical support on the market.

Videogame development

Videogame development is carried out by the CD Projekt RED Studio which is a division of CD PROJEKT S.A. The activity covers creation of videogames and selling the associated distribution rights, as well as manufacturing and selling tie-in products which exploit the commercial appeal of brands owned by the Company. Videogame development commenced in 2002 and initially focused on the studio's RPG debut: The Witcher. This game, set in Andrzej Sapkowski's fantasy world, was released in 2007 to global acclaim. The Studio followed up in 2011 with its second release – Tie Witcher 2: Assassins of Kings for the PC. In April 2012 an extended edition of The Witcher 2 was released on the PC and Xbox 360. Both parts of The Witcher series are now also available for Apple computers (since 2012).

The Company carries out active distribution of its games (The Witcher and The Witcher 2) for a number of hardware platforms, using traditional distribution channels as well as leading digital distribution services worldwide. Taken together, both installments of the series have received over 200 awards and accolades, and sold more than 7 million copies.

The Studio is currently working on two triple-A RPG releases: The Witcher 3: Wild Hunt and Cyberpunk 2077. Each of these games is slated for simultaneous release on the PC and the current generation of gaming consoles: Sony PlayStation 4 and Xbox One. Since July 2013 the Studio has a presence in Kraków, with a dedicated branch established on the premises of the Kraków Technology Park and working on additional videogame projects.

Global digital videogame distribution

Global digital videogame distribution (i.e. distribution via online channels to purchasers from around the world, permitting clients to purchase games, remit payment and download the products to their personal computers) is carried out by GOG Ltd., proprietor of the digital distribution platform at GOG.com.

The platform was launched in September 2008. The initial mission of GOG.com was to revitalize major PC cult classics and offer them for sale to international clients with particular focus on English-speaking countries, i.e. United States, Canada, United Kingdom and Australia. Since October 2012 the platform also carries Apple releases.

The GOG.com catalogue includes over 700 games by over 180 publishers and developers, including such well-known brands as Electronic Arts, Activision, Ubisoft and Atari-Hasbro.

The key difference between GOG.com and its competitors (i.e. other independent platforms – Steam, Gamersgate, Gamestop etc.) is its set of core principles. As a rule, the Company ensures that all of its games are free of cumbersome DRM measures. In addition, products offered on GOG.com are as fully featured as possible and usually include bonus content such as soundtracks, maps, wallpapers etc. GOG Ltd. also ensures full compatibility of its games with popular versions of the MS Windows operating system and provides technical support in case of installation problems. In its quest for customer satisfaction in December 2013 the Company instituted a novel returns policy.

The Group uses GOG.com to market its own products, such as The Witcher and The Witcher 2: Assassins of Kings for PC and Apple computers, directly to end users.

Breakdown of individual operating segments for the period between 01 Jan and 31 Mar 2014

PLN thousands	Sales revenues	Sales to external clients	Sales between segments and internal turnover	Profit/loss per segment	Total assets per segment
CONTINUING OPERATIONS	**30 804**	**30 804**	**-**	**1 498**	**239 910**
Distribution and publishing in Poland	*13 471*	*13 471*	*-*	*(2 257)*	*35 986*
Videogame development	*5 005*	*4 842*	*163*	*774*	*84 164*
Global digital videogame distribution	*14 172*	*12 234*	*1 938*	*1 880*	*25 173*
*Other activities**	*1 720*	*257*	*1 463*	*1 022*	*122 956*
Consolidation adjustments (incl. adjustments from business combinations)	(3 564)	-	(3 564)	79	(28 369)
DISCONTINUED OPERATIONS	-	-	-	-	-
TOTAL	**30 804**	**30 804**	**-**	**1 498**	**239 910**

* The *Other activities* segment comprises the individual profit of CD PROJEKT S.A. in the amount of 1,022 thousand PLN representing the activity of its investment branch.

Segmented consolidated statement of financial position as of 31 Mar 2014

PLN thousands	Distribution and publishing in Poland	Videogame development	Global digital distribution of games	Other activities	Consolidation eliminations (incl. adjustments from business combinations)	Total
FIXED ASSETS	**2 401**	**6 369**	**1 707**	**111 678**	**(26 569)**	**95 586**
Tangible fixed assets	*1 033*	*3 068*	*897*	*5 973*	*-*	*10 971*
Intangible assets	*1 060*	*3 208*	*809*	*57 955*	*(25 735)*	*37 297*
Goodwill	*-*	*-*	*-*	*-*	*46 417*	*46 417*
Investments in subsidiaries	*-*	*-*	*-*	*47 251*	*(47 251)*	*-*
Deferred income tax assets	*281*	*38*	*1*	*258*	*-*	*578*
Other fixed assets	*27*	*55*	*-*	*241*	*-*	*323*
CURRENT ASSETS	**33 585**	**77 795**	**23 466**	**11 278**	**(1 800)**	**144 324**
Inventories	*5 929*	*52 241*	*-*	*-*	*-*	*58 170*
Trade receivables	*13 956*	*9 452*	*2 454*	*58*	*(873)*	*25 047*
Receivables due to current income tax	*821*	*1 029*	*-*	*1*	*-*	*1 851*
Other receivables	*344*	*6 264*	*610*	*1 818*	*(927)*	*8 109*
Other financial assets	*-*	*100*	*-*	*808*	*-*	*908*
Prepaid expenses	*5 509*	*411*	*2 379*	*91*	*-*	*8 390*
Cash and cash equivalents	*7 026*	*8 298*	*18 023*	*8 502*	*-*	*41 849*
TOTAL ASSETS	**35 986**	**84 164**	**25 173**	**122 956**	**(28 369)**	**239 910**

PLN thousands	Distribution and publishing in Poland	Videogame development	Global digital distribution of games	Other activities	Consolidation eliminations (incl. adjustments from business combinations)	Total
EQUITY	15 113	45 656	16 223	121 232	(29 218)	169 006
Equity attributable to shareholders of the parent company	***15 113***	***45 656***	***16 223***	***121 232***	***(29 974)***	***168 250***
Share capital	*10 076*	*7 050*	*86*	*94 955*	*(17 217)*	*94 950*
Supplementary capital from sales of shares above their nominal value	*7 294*	-	*1 188*	*110 936*	*312*	*119 730*
Other reserve capital	-	-	-	*1 139*	-	*1 139*
Exchange rate differences	-	-	*(227)*	-	*(461)*	*(688)*
Retained earnings	-	*37 832*	*13 296*	*(86 820)*	*(12 687)*	*(48 379)*
Net profit (loss) for the reporting period	*(2 257)*	*774*	*1 880*	*1 022*	*79*	*1 498*
Noncontrolling interest equity	-	-	-	-	***756***	***756***
LONG-TERM LIABILITIES	501	778	21	954	2 614	4 868
Other financial liabilities	*117*	*69*	-	*17*	-	*203*
Deferred income tax liabilities	*30*	*213*	-	*494*	*2 614*	*3 351*
Deferred revenues	*345*	*490*	*16*	*426*	-	*1 277*
Provisions for employee benefits and similar liabilities	*9*	*6*	*5*	*17*	-	*37*
SHORT-TERM LIABILITIES	20 372	37 730	8 929	770	(1 765)	66 036
Credits and loans	*20*	-	-	*4*	-	*24*
Other financial liabilities	*117*	*50*	-	*53*	-	*220*
Trade liabilities	*16 089*	*2 152*	*6 699*	*146*	*(838)*	*24 248*
Liabilities from current income tax	-	-	*433*	-	-	*433*
Other liabilities	*4 066*	*35 422*	*1 769*	*416*	*(927)*	*40 746*
Deferred revenues	*76*	*64*	*28*	*34*	-	*202*
Provisions for retirement benefits and similar liabilities	*1*	*20*	-	*76*	-	*97*
Other provisions	*3*	*22*	-	*41*	-	*66*

TOTAL LIABILITIES	35 986	84 164	25 173	122 956	(28 369)	239 910

Segmented consolidated profit and loss account for the period between 01 Jan 2014 and 31 Mar 2014

PLN thousands	Distribution and publishing in Poland	Videogame development	Global digital distribution of games	Other activities	Consolidation eliminations (incl. adjustments from business combinations)	Total
Sales revenues	**13 471**	**5 005**	**14 172**	**1 720**	**(3 564)**	**30 804**
Revenues from sales of products	*-*	*4 946*	*-*	*-*	*(145)*	*4 801*
Revenues from sales of services	*935*	*-*	*14 172*	*1 720*	*(3 401)*	*13 426*
Revenues from sales of goods and materials	*12 536*	*59*	*-*	*-*	*(18)*	*12 577*
Cost of products, goods and materials sold	**12 519**	**1 675**	**9 124**	**207**	**(450)**	**23 075**
Cost of products and services sold	*699*	*1 643*	*9 124*	*207*	*(432)*	*11 241*
Value of goods and services sold	*11 820*	*32*	*-*	*-*	*(18)*	*11 834*
Gross profit (loss) from sales	**952**	**3 330**	**5 048**	**1 513**	**(3 114)**	**7 729**
Other operating revenues	*60*	*621*	*12*	*1 195*	*(21)*	*1 867*
Selling costs	*2 607*	*1 419*	*2 668*	*452*	*(1 942)*	*5 204*
General and adminitrative costs	*986*	*1 553*	*331*	*1 368*	*(1 137)*	*3 101*
Other operating expenses	*100*	*556*	*7*	*40*	*(21)*	*682*
Operating profit (loss)	**(2 681)**	**423**	**2 054**	**848**	**(35)**	**609**
Financial revenues	*216*	*622*	*108*	*365*	*(30)*	*1 281*
Financial expenses	*74*	*7*	*3*	*5*	*(30)*	*59*
Profit (loss) before taxation	**(2 539)**	**1 038**	**2 159**	**1 208**	**(35)**	**1 831**
Income tax	*(282)*	*264*	*279*	*186*	*(2)*	*445*
Profit (loss) from continuing operations	**(2 257)**	**774**	**1 880**	**1 022**	**(33)**	**1 386**
Net profit (loss) from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**

Net profit (loss) attributable to noncontrolling interests	-	-	-	-	(112)	(112)
Net profit (loss) attributable to equity holders of the parent entity	(2 257)	774	1 880	1 022	79	1 498

Description of differences in presentation of activity segments or in the measurement of profit or loss per activity segment compared to the most recent annual consolidated financial report

No changes have occurred in relation to the consolidated financial statement for 2013 with regard to presentation of activity segments.

Reconciliation of the total of the reportable segments' measures of profit or loss with the Group's profit or loss before tax expenses and discontinued operations

Not applicable.

Information regarding key clients

The CD PROJEKT Capital Group cooperates with external customers whose individual share in the Group's consolidated revenue exceeds 10%, as described below.

In the distribution and publishing activities in Poland segment the trade partnership between cdp.pl Sp. z o.o. and its largest client generated sales revenues in the amount of 3 940 thousand PLN in the first quarter of 2014, which represents 12.79% of the consolidated sales revenues of the CD PROJEKT Capital Group in this period.

In the videogame development segment the trade partnership between CD PROJEKT S.A. and one of its clients generated sales revenues in the amount of 3 829 thousand PLN in the first quarter of 2014, which represents 12.43% of the consolidated sales revenues of the CD PROJEKT Capital Group in this period.

The above mentioned clients are not affiliated with CD PROJEKT S.A. or its subsidiaries.

In other operating segments no single external entity accounted for more than 10% of the consolidated sales revenues of the CD PROJEKT Capital Group.

Note 6. Information regarding seasonal or cyclical activities

The videogame and motion picture distribution market is characterized by seasonal fluctuations in revenues. On an annual basis, the highest revenues are typically obtained in the fourth quarter while the lowest revenues correspond to the third quarter (although publishing plans in each quarter may affect this outcome). The standard drop in sales revenues in Q1 correlates with sales and clearances which follow the so-called "holiday peak". The situation usually stabilizes in mid-February as new releases from various publishers appear on the market. The seasonal dip in sales in Q3 is associated with the vacation period – as such, most global publishers do not schedule major releases during this time. Sales tend to pick up again in late Q3 (September) and remain high throughout Q4. Publishers tend to account for this variability and draw up their plans in such a way as to avoid wasting their products' potential by releasing them in weak sales periods. Sales in Q2 and Q4 are bolstered by seasonal holidays when games are often purchased as presents. Ultimately, however, sales volume is primarily dependent on the release schedule. CD PROJEKT S.A. usually takes between 2 and 4 years to produce a game. Initial development work occurs before the previous game in the series is complete and ready to be released. The Witcher 2 was released for the PC in May 2011 while the corresponding Xbox 360 release took place on 17 April 2012. The newest game in the series – The Witcher 3: Wild Hunt – is scheduled for release in February 2015.

Due to the recent launch of a second major franchise (Cyberpunk 2077) future releases of CD PROJEKT videogames should occur with greater frequency.

Note 7. Issue, redemption or repayment of debt and capital securities

Issue of debt securities

Not applicable.

Issue of capital securities

	31.03.2014	31.12.2013	31.03.2013
Number of shares (thousands)	*94 950*	*94 950*	*94 950*
Nominal value per share (PLN)	*1*	*1*	*1*
Share capital (PLN thousands)	**94 950**	**94 950**	**94 950**

Note 8. Dividends paid out or announced

No dividends were paid out to shareholders of the parent company in the reporting period.

Note 9. Transactions with affiliates

Rules governing transactions with affiliates

Intragroup transactions are conducted in accordance with the Directive of the Finance Minister of 10 September 2009 specifying the rules for estimating the income of legal entities and avoiding double taxation when adjusting the income of affiliated legal entities (Journal of Laws of the Republic of Poland 2009, no. 160, item 1268), later amended by the Directive of the Finance Minister of 17 June 2013 (Journal of Laws of the Republic of Poland; 3 July 2013).

The prices of goods and services exchanged within the Group are estimated according to the above mentioned directive, by applying the comparable uncontrolled price method, the resale price method or the reasonable profit margin (“cost plus”) method. Method selection is preceded by a thorough analysis of each transaction. The division of responsibilities, asset exposure and assignment of substantial risks and rewards in each intragroup transactions are adjusted in such a way as to closely reflect similar transactions concluded by unaffiliated entities. For significant transactions exceeding the limits specified in Art. 9a section 2 of the corporate income tax law all participating entities submit the required tax forms.

Transactions with members of the Management Board and other affiliated entities

Affiliate	Sales to affiliates		Receivables from affiliates			Liabilities due to affiliates		
	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013	31.03.2014	31.12.2013	31.03.2013	31.03.2014	31.12.2013	31.03.2013
AFFILIATES								
Optibox Sp. z o.o. in liquidation bankruptcy	-	-	-	-	-	20	20	20
MANAGEMENT BOARD MEMBERS AND PROXIES								
Marcin Iwiński	2	1	-	-	-	10	4	11
Adam Kiciński	1	1	-	-	-	-	-	2
Piotr Nielubowicz	1	1	-	-	-	2	1	1
Michał Nowakowski	2	2	1	-	-	-	-	-
Adam Badowski	-	-	-	-	-	-	-	2
*Edyta Wakuła**	1	1	-	-	-	-	-	-
Robert Wesołowski	1	1	-	-	-	-	-	-
Michał Gembicki	-	-	-	-	-	-	-	-
Guillaume Rambourg	-	-	-	-	2	-	-	-

*proxy

(all amounts listed in PLN thousands unless otherwise stated)

Note 10. Bad loans and violations of loan agreements not subject to recovery proceedings as of the balance sheet date

Loans granted

Not applicable.

Loans granted as of 31.03.2014, including loans granted to Management Board members

Not applicable.

Note 11. Changes in conditional assets or liabilities following the end of the most recent financial year

Liabilities on bills of exchange in association with loans received

Not applicable.

Conditional liabilities from guarantees and collateral pledged

thousands	pledged in association with	currency	31.03.2014	31.12.2013	31.03.2013
Agora S.A.					
Promissory note payable	*Collateral for distribution agreement*	*PLN*	-	-	*6 332*
Promissory note payable	*Collateral for licensing agreement*	*PLN*	-	-	*6 070*
Promissory note endorsement	*Guarantee of execution of licensing and distribution agreements*	*PLN*	-	-	*6 332*
Promissory note agreement	*Collateral for distribution agreement*	*PLN*	*11 931*	-	-
Declaration of submission to enforcement	*Collateral for distribution agreement*	*PLN*	*11 931*	-	-
mBank S.A.					
Promissory note agreement	*Credit agreement*	*PLN*	*16 500*	*16 500*	-
Promissory note agreement	*Credit agreement*	*PLN*	*30 000*	*30 000*	*30 000*
Promissory note agreement	*Credit agreement*	*PLN*	*15 000*	*15 000*	*15 000*
Promissory note endorsement	*Collateral for credit*	*PLN*	*61 500*	*61 500*	*45 000*
Declaration of submission to enforcement	*Collateral for credit*	*PLN*	*61 500*	*61 500*	*45 000*
Contractual mortgage on immovable property	*Collateral for credit*	*PLN*	*60 000*	*60 000*	*45 000*
Contractual assignment of receivables	*Collateral for credit*	*PLN*	*5 000*	*5 000*	*5 000*
Registered pledge of The Witcher trademark	*Collateral for credit*	*PLN*	*45 000*	*45 000*	*30 000*
Promissory note agreement	*Collateral for bank payment guarantee no. 02099ZPA12*	*PLN*	-	-	*6 600*
Promissory note agreement	*Collateral for bank payment guarantee no. 02035KPA13*	*PLN*	-	*6 600*	*6 600*
Declaration of submission to enforcement	*Collateral for bank payment guarantee no. 02035KPA13*	*PLN*	-	*6 600*	-
Promissory note agreement	*Collateral for bank payment guarantee no. 02111KPA14*	*PLN*	*3 000*	-	-
Declaration of submission to enforcement	*Collateral for bank payment guarantee no. 02111KPA14*	*PLN*	*3 000*	-	-
Declaration of submission to enforcement	*Credit limit agreement no. 02/447/11/L/UR*	*PLN*	*1 100*	*1 100*	-

(all amounts listed in PLN thousands unless otherwise stated)

mLeasing Sp. z o.o.					
Promissory note agreement	*Lease agreement no. Optimus1/WA/123286/2011*	*PLN*	*150*	*150*	*150*
Promissory note agreement	*Lease agreement no. Optimus1/WA/135724/2012*	*PLN*	*141*	*141*	*141*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/20832/2011*	*PLN*	*90*	*90*	*90*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/123240/2011*	*PLN*	*54*	*54*	*54*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/128425/2011*	*PLN*	*51*	*51*	*51*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/132776/2011*	*PLN*	*69*	*69*	*69*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/132780/2011*	*PLN*	*59*	*59*	*59*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/136047/2012*	*PLN*	*57*	*57*	*57*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/136061/2012*	*PLN*	*57*	*57*	*57*
Global Collect Services BV					
Contract of guarantee	*Guarantee of discharge of liabilities by GOG Ltd.*	*EUR*	*155*	*155*	*180*
Mazovian Unit for the Implementation of European Union Programs (Mazowiecka Jednostka Wdrażania Programów Unijnych)					
Promissory note agreement	*Co-financing agreement no. RPMA.02.03.00-14-012/09 RPO MV 2007-2013 Task 2.3*	*PLN*	*1 105*	*1 105*	*1 105*
Promissory note agreement	*Co-financing agreement no. RPMA.01.05.00 -14-638/08 RPO MV 2007-2013 Task 1.5*	*PLN*	*429*	*429*	*429*
Promissory note agreement	*Co-financing agreement no. RPMA.01.05.00 -14-639/08 RPO MV 2007-2013 Task 1.5*	*PLN*	*302*	*302*	*302*
Promissory note agreement	*Co-financing agreement no. RPMA.01.07.00 -14-010/11 RPO MV 2007-2013 Task 1.7*	*PLN*	*148*	*148*	*148*
Ministry of Economy					
Promissory note agreement	*Co-financing agreement no. POIG.06.05.02-00-146/13-00*	*PLN*	*350*	*-*	*-*
Promissory note agreement	*Co-financing agreement no. POIG.06.05.02-00-148/13-00*	*PLN*	*326*	*-*	*-*
Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości)					

(all amounts listed in PLN thousands unless otherwise stated)

Promissory note agreement	*Co-financing agreement no. UDA-POIG.08.02.00-14-524/13-00; POIG Task 8.2*	*PLN*	*941*	*941*	*-*
Raiffeisen Bank Polska S.A					
Guarantee of discharge of cash pool liabilities	*Cash pool agreement*	*PLN*	*15 000*	*15 000*	*-*
RBS Bank (Polska) S.A.					
Guarantee of discharge of liabilities by GOG Poland Sp. z o.o., CD PROJEKT S.A., GOG Ltd.	*Cash pool agreement*	*PLN*	*-*	*-*	*810*
Fiscal pledge on cash assets	*Cash pool agreement*	*PLN*	*-*	*-*	*810*
SEGA Europe					
Contract of guarantee	*Guarantee of discharge of liabilities by cdp.pl Sp. z o.o.*	*GBP*	*150*	*150*	*150*
Konami Digital Entertainment B.V.					
Contract of guarantee	*Guarantee of discharge of liabilities by cdp.pl Sp. z o.o.*	*EUR*	*100*	*-*	*-*

(all amounts listed in PLN thousands unless otherwise stated)

Note 12. Changes in the structure of the Capital Group and its member entities during the reporting period

Not applicable.

Note 13. Agreements which may, in the future, result in changes in the proportion of stock ownership by shareholders and bondholders

On 16 December 2011 the Extraordinary General Meeting of Shareholders of the parent company voted to institute an incentive program for persons regarded as having a key influence on the performance of the Company. Details of this program are described elsewhere in this report. The resolution was accompanied by a conditional increase in Company capital in an amount not exceeding 1.9 million PLN which represents 2% of the current share capital of the parent company. The incentive program may result in changes in the proportion of stock ownership by shareholders.

Note 14. Fiscal settlements

Fiscal settlements and other areas of activity governed by legal regulations (such as import duties or currency exchange) may be subject to audits by administrative bodies authorized to impose high penalties and sanctions. The lack of entrenched legal regulations in Poland leads to numerous ambiguities and inconsistencies in this regard. Interpretation of existing tax law frequently varies from state organ to state organ as well as between state organs and business entities, giving rise to areas of uncertainty and conflict. These conditions increase tax risks in Poland beyond the level encountered in states with more developed fiscal systems.

Fiscal settlements may be subject to state audits within five years following the end of the period in which tax payment was remitted.

Note 15. Legal proceedings

The following legal proceedings occurred during the reporting period (the presented status is valid as of the publication date of this statement):

■ Litigation in which CD PROJEKT S.A. is the plaintiff or claimant

1. CD PROJEKT S.A. (formerly Optimus S.A.) vs. State Treasury

On 15 February 2006 the Management Board of Optimus S.A. filed a complaint in the District Court for the City of Kraków, 1st Civil Department seeking monetary damages from the State Treasury in the amount of 35,650.6 thousand PLN in relation to the decision issued by the Inspector of Treasury Control on 27 December 2001 in which the VAT liabilities of the Company were estimated at 16,367.4 thousand PLN. This decision was upheld by the Trasury Chamber in Kraków on 3 April 2002, and by the Treasury Office on 21 November 2002, which applied the universal succession principle to hold the Company responsible for tax liabilities incurred by its legal predecessor. On 24 November 2003 the Supreme Administrative Court in Warsaw vacated these decisions as unlawful.

On 9 December 2008 the District Court for the City of Kraków issued an interlocutory judgment holding the Optimus claim valid in rem. This judgment concerned the validity of the Company's claim for monetary damages. On 19 May 2009 this judgment was vacated by the Appelate Court for the City of Kraków, 1st Civil Department, which remanded the case to the District Court for further proceedings. On 19 November 2009 the District Court decided to appoint an expert to examine the causative link between the damage caused to Optimus and the unlawful decisions of tax authorities, as well as the material consequences of said decisions borne by Optimus. The expert's opinion in this case was delivered to the Company plenipotentiary in January 2011, with a supplementary opinion delivered on 21 October 2013. The Company plenipotentiary responded by filing briefs with objections to the expert's opinion. All witnesses called by the Court appeared at the stand. The hearing scheduled for 10 March 2014 did not take place and another hearing was scheduled for 11 June 2014.

This case may bear significant influence on the financial status and profitability of CD PROJEKT S.A., albeit only in a positive sense, should a favorable adjudication be rendered by the Court.

2. CD PROJEKT S.A. (formerly Optimus S.A.) vs. Michał Lorenc

On 10 April 2009 Optimus S.A. filed a lawsuit in the District Court for the City of Warsaw against Mr. Michał Lorenc – its former President of the Board. The Company seeks damages in the amount of 507.3 thousand PLN for losses incurred as a result of violation of disclosure obligations associated with the Company's listing on the Warsaw Stock Exchange regarding the issuance of D series shares and purchase of Zatra S.A. stock during Mr. Michał Lorenc's tenure as President of the Management Board. The hearing scheduled by the Court for 2 June 2010 was cancelled.

In mid-February 2011 the Company filed a request to schedule another hearing and it currently awaits the Court's decision in this regard. This case is tied to case no. XVIII K 126/09 described below.

3. Motion to recognize overpayment of civil law transaction tax associated with capital contributions

On 12 April 2011 Optimus S.A. filed a legal complaint in the District Administrative Court in Warsaw regarding an erroneous (in the Company's opinion) individual interpretation of tax law applied by the Director of the Treasury Chamber in Warsaw, acting on behalf of the Finance Minister. This decision concerned civil law transaction tax which, in the Company's opinion, was unjustly levied in conjunction with non-monetary capital contributions to CD Projekt Kiciński i Wspólnicy Sp. k. of which CD PROJEKT S.A. is the legal successor. On 15 March 2012 the Court issued a judgment affirming the Company's claim and declaring that the civil law transaction tax levied upon incorporation of CD Projekt Kiciński i Wspólnicy Sp. k. in the amount of 1,118 thousand PLN was unlawful.

On 4 July 2012, the Company received a transcript of the appeal in cassation filed in the Supreme Administrative Court via the District Administrative Court in Warsaw by the Director of the Treasury Chamber in Warsaw acting on behalf of the Finance Minister, which contests the judgment of 15 March 2012 in its entirety. At present the Company is waiting for the Supreme Administrative Court to schedule a hearing.

Following issuance of the above described judgment the Company applied to tax authorities for recognition of tax overpayment. On 3 July 2012 the application was denied. On 17 July 2012 the Company filed an appeal and subsequently, on 6 November 2012, filed a complaint in the District Administrative Court in Warsaw against the decision of the Director of the Treasury Chamber in Warsaw upholding the decision of the Head of the 2nd Mazovian Tax Office which denies recognition of overpayment of civil law transaction tax. On 13 May 2013 the District Administrative Court concurred with the Company's claim and issued a judgment overturning the decision of the Director of the Treasury Chamber on the grounds that the Director had not availed himself of the option to file an appeal in cassation having been notified of the legal basis for the previously described judgment. On 31 January 2014, pursuant to the decision of the Director of the Treasury Chamber of 24 January 2014, the Company recovered the overpaid civil law transaction tax plus interest in the amount of 1,361.3 thousand PLN.

4. Motion to recognize overpayment of civil law transaction tax associated with increases in the Company's share capital

On 22 May 2012 CD Projekt RED S.A. filed two legal complaints in the District Administrative Court in Warsaw seeking reimbursement of civil law transaction tax which, in the Company's opinion, was unjustly levied in conjunction with increases in the Company's share capital. The complaints concern two decisions by the Director of the Treasury Chamber in Warsaw of 20 April 2012 upholding the corresponding decisions issued on 26 January 2012 by the Head of the 2nd Mazovian Tax Office in Warsaw, denying recognition of overpayment of civil law transaction tax in the amounts of 158.9 thousand PLN plus interest and 113.2 thousand PLN plus interest respectively.

At a joint hearing on 14 February 2013 the District Administrative Court rejected both complaints against the decisions of the Director of the Treasury Chamber in Warsaw of 20 April 2012. Having been notified by the District Administrative Court of the legal basis for its judgement the Company filed two appeals in cassation in the Supreme Administrative Court in Warsaw and is currently waiting for the Court to schedule a hearing.

5. Complaint against the individual interpretation of tax law

On 18 March 2014, having previously issued a written request to the Director of the Treasury Chamber in Warsaw to rectify an unlawful situation, CD PROJEKT S.A. filed a complaint with the District Administrative Court in Warsaw against the erroneous (in the Company's opinion) individual interpretation of tax law by the Director of the Treasury Chamber in Warsaw acting on behalf of the Finance Minister. The decision concerned the time of deduction of withholding tax at source from the income tax owed by the Company. The Company is currently waiting for the Court to schedule a hearing.

Criminal proceedings in which CD PROJEKT S.A. is recognized as the victim

Case against Michał Lorenc, Piotr Lewandowski and Michał Dębski

On 27 April 2009 the District Attorney's Office filed an indictment in the District Court for the City of Warsaw against Michał Lorenc, Piotr Lewandowski and Michał Dębski charged with violating sections 296 §1, 296 §3 and others of the Penal Code. The corresponding neutral citation number is XVIII K 126/09. The Company is acting as an auxiliary prosecutor. As of the date of preparation of this statement a number of hearings have been held, the defendants and a majority of witnesses have testified and partial testimony has been obtained from the expert witness. The next hearing has not been scheduled.

In the course of the above-mentioned proceedings the Company filed a claim for total damages in the amount of 4,397 thousand PLN. This claim will be addressed by a Court-appointed expert.

Lawsuits filed by or on behalf of the Issuer's subsidiaries

1. cdp.pl Sp. z o.o. vs. Empik Sp. z o.o.

The case concerns damages in the amount of 9,049 thousand PLN plus statutory interest for the period between 14 December 2013 and the remittance date, due to unfair competition practices employed by Empik Sp. z o.o. under Art. 15 section 1 item 4 of the Act on Combating Unfair Competition which stipulates that no charges other than trade margins may be imposed by the seller in exchange for facilitating the sale of products. The case was filed in the District Court for the City of Warsaw on 16 December 2013. On 31 January 2014 the Court issued a writ of payment against Empik Sp. z o.o. As of the day of publication of this statement the plaintiff is awaiting a copy of the respondent's objection to the writ of payment, filed by Empik Sp. z o.o. on 28 February 2014.

2. cdp.pl Sp. z o.o. vs. Empik Sp. z o.o.

The case concerns outstanding payment in the amount of 1,356 thousand PLN plus statutory interest for goods delivered to Empik Sp. z o.o. under the cooperation agreement with cdp.pl Sp. z o.o. The case was filed in the District Court for the City of Warsaw on 17 December 2013. As of the day of publication of this statement the Issuer's subsidiary is waiting for the Court to schedule a hearing.

Note 16. Circumstances which may affect the Group's financial result in the future

The activity of CD PROJEKT Capital Group member companies is influenced by external factors, such as changes in micro- and macroeconomic conditions, legal reforms and fiscal regulations. In this sense CD PROJEKT is in a similar position to many other companies conducting business on domestic or international markets.

Key internal and external factors which may affect the Group's activities and growth prospects in the second quarter of 2014 are briefly outlined below.

Videogame development

In addition to ongoing development work, this activity segment will include an intensive marketing campaign connected with the upcoming release of The Witcher 3: Wild Hunt (scheduled for February 2015). These actions may also affect sales of previous installments of The Witcher series. In the coming quarter the Company intends to participate in the world's largest videogame trade fair – E3 in Los Angeles, where it will unveil new promotional materials associated with The Witcher 3. It is hoped that this event will result in greater media presence and increased interest in the Company's products on the part of gamers worldwide.

Global digital videogame distribution

In the global digital videogame distribution segment GOG Ltd. aims to expand its catalogue and attract additional users, resulting in increased sales. The gog.com platform will support sales in local currencies (EUR, GBP, AUD, RUB) as well as payment methods specific to individual countries – e.g. Giropay (Germany and France), Sofort (Germany), Ideal (The Netherlands), MoneyBookers (worldwide), Qiwi (Russia), Webmoney (Russia) and Yandex (Russia). These activities, coupled with deployment of new technologies which will be unveiled at E3 in Los Angeles, should permit the Company to add further products to its portfolio and attract new clients.

Distribution and publishing in Poland

In this segment the second quarter of 2014 will focus on such releases as Bound by Flame (Focus Home Interactive), Divinity: Original Sin (Larian Studios), WildStar (NCSOFT) and SPINTIRES (IMGN.PRO).

The digital store at www.cdp.pl will be expanded, both in terms of new videogame releases and new features. This should translate into increased sales and improved financial results.

Other

Financial outlooks may be affected by the potential sale of the immovable property in Nowy Sącz, which the Group is currently considering, as well as by the outcome of litigation described in Note 15 of this statement.

Note 17. Important events following the balance sheet date

In Current Report no. 6/2014 of 28 April 2014 the Management Board of the Company disclosed that a framework agreement had been concluded with Raiffeisen Bank Polska S.A., headquartered in Warsaw, concerning forward and derivative transactions, including an ancillary agreement which sets the ground rules for foreign currency transactions between the Company and the bank.

Both agreements were concluded for an indefinite period of time. The aggregate value of transactions carried out under the agreements may not exceed 10,000,000 (ten million) PLN.

As collateral for liabilities which may arise in conjunction with the framework agreement and the ancillary agreement, the Company issued a declaration of submission to enforcement in an amount not exceeding 15,000,000 (fifteen million) PLN. The bank is entitled to file for a writ of enforcement with respect to potential claims not later than on 8 August 2019.

In Current Report no. 9/2014 of 6 May 2014 the Management Board of the Company disclosed that on 6 May 2014, in accordance with the applicable legal regulations and the professional code of conduct, the responsible organ, i.e. the Supervisory Board of the Company had selected the statutory auditor who will be charged with performing an audit on the Company financial statements for 2014. The entity selected for this purpose is PKF Consult Sp. z o.o. (formerly known as PKF Audyt Sp. z o.o.).

On 12 May 2014 the Company sold 9,000 shares in cdp.pl Sp. z o.o. to its subsidiary, cdp.pl Sp. z o.o. for redemption. On that day the General Meeting of Shareholders of cdp.pl Sp. z o.o. adopted a resolution to redeem these shares from the net profit of the Company without affecting the Company's share capital, in accordance with Art. 199 of the Commercial Company Code. As a result of this action the shareholder structure of cdp.pl Sp. z o.o. changed as follows:

- 50.2% of shares belong to CD PROJEKT S.A.
- the remaining 49.8% of shares are equally divided among current members of the Management Board of cdp.pl.

Warsaw, 15 May 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

(all amounts listed in PLN thousands unless otherwise stated)

5

Condensed interim financial statement of CD PROJEKT S.A.

I. Condensed interim separate profit and loss account

PLN thousands	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
Sales revenues	**5 850**	**5 276**
Revenues from sales of products	*4 946*	*4 377*
Revenues from sales of services	*845*	*823*
Revenues from sales of goods and materials	*59*	*76*
Cost of products, goods and materials sold	**1 882**	**1 364**
Cost of products and services sold	*1 850*	*1 343*
Value of goods and materials sold	*32*	*21*
Gross profit (loss) from sales	**3 968**	**3 912**
Other operating revenues	*1 816*	*589*
Selling costs	*1 871*	*1 584*
General and administrative costs	*2 044*	*1 843*
Other operating expenses	*596*	*367*
Operating profit (loss)	**1 273**	**707**
Financial revenues	*987*	*14 065*
Financial expenses	*11*	*115*
Profit (loss) before tax	**2 249**	**14 657**
Income tax	*451*	*(443)*
Net profit (loss) from continuing operations	**1 798**	**15 100**
Net profit (loss) from discontinued operations	**-**	**-**
Net profit (loss)	**1 798**	**15 100**
Net earnings per share (in PLN)		
Basic for the reporting period	*0.019*	*0.159*
Diluted for the reporting period	*0.019*	*0.159*
Net earnings per share from continuing operations (in PLN)		
Basic for the reporting period	*0.019*	*0.159*
Diluted for the reporting period	*0.019*	*0.159*

Warsaw, 15 May 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

II. Condensed interim separate statement of comprehensive income

PLN thousands	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
Net profit (loss)	**1 798**	**15 100**
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria	**-**	**-**
Exchange rate differences on valuation of foreign entities	-	-
Differences from rounding to PLN thousands	-	-
Other comprehensive income which will not be entered as profit (loss)	**-**	**-**
Total comprehensive income	**1 798**	**15 100**
Total comprehensive income attributable to minority interests	**-**	**-**
Total comprehensive income attributable to equity holders of parent entity	**1 798**	**15 100**

Warsaw, 15 May 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

III. Condensed interim separate statement of financial position

PLN thousands	31.03.2014	31.12.2013	31.03.2013
FIXED ASSETS	**110 304**	**110 188**	**100 189**
Tangible assets	*9 041*	*9 204*	*8 937*
Intangible assets	*75 843*	*75 648*	*65 206*
Investments in affiliates	*24 828*	*24 828*	*25 620*
Deferred income tax assets	*296*	*250*	*204*
Other fixed assets	*296*	*258*	*222*
CURRENT ASSETS	**88 882**	**75 840**	**58 998**
Inventories	*52 242*	*44 514*	*29 698*
Trade receivables	*9 510*	*3 556*	*3 004*
Current income tax receivables	*1 029*	*900*	-
Other receivables	*7 895*	*5 681*	*7 527*
Other financial assets	*908*	*804*	*859*
Prepaid expenses	*502*	*383*	*288*
Cash and cash equivalents	*16 796*	*20 002*	*17 622*
TOTAL ASSETS	**199 186**	**186 028**	**159 187**

Warsaw, 15 May 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

PLN thousands	31.03.2014	31.12.2013	31.03.2013
EQUITY	**156 273**	**154 325**	**150 481**
Share capital	*94 950*	*94 950*	*94 950*
Supplementary capital, incl. sales of shares above nominal price	*110 936*	*110 936*	*110 936*
Other reserve capital	*1 139*	*989*	*724*
Retained earnings	*(52 550)*	*(71 228)*	*(71 229)*
Financial result for the current period	*1 798*	*18 678*	*15 100*
LONG-TERM LIABILITIES	**4 601**	**5 026**	**3 397**
Other financial liabilities	*86*	*100*	*98*
Deferred income tax liabilities	*3 577*	*3 899*	*3 147*
Deferred revenues	*915*	*1 004*	*134*
Provisions for employee benefits and similar liabilities	*23*	*23*	*18*
Other provisions	-	-	-
SHORT-TERM LIABILITIES	**38 312**	**26 677**	**5 309**
Credits and loans	*3*	*1*	*760*
Other financial liabilities	*103*	*128*	*134*
Trade liabilities	*2 298*	*10 257*	*871*
Liabilities from current income tax	-	-	*1 559*
Other liabilities	*35 651*	*15 991*	*1 612*
Deferred revenues	*98*	*106*	*153*
Provisions for employee benefits and similar liabilities	*96*	*88*	*90*
Other provisions	*63*	*106*	*130*
TOTAL LIABILITIES	**199 186**	**186 028**	**159 187**

Warsaw, 15 May 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

IV. Condensed interim separate statement of changes in equity

PLN thousansd	Share capital	Supplementary capital from sales of shares above nominal price	Other reserve capital	Retained earnings	Net profit (loss) for the reporting period	Total equity
01.01.2014 - 31.03.2014						
Equity as of 01.01.2014	**94 950**	**110 936**	**989**	**(52 550)**	**-**	**154 325**
Equity after adjustments	**94 950**	**110 936**	**989**	**-**	**-**	**-**
Cost of incentive program	-	-	*150*	-	-	*150*
Total comprehensive income	-	-	-	-	*1 798*	*1 798*
Equity as of 31.03.2014	**94 950**	**110 936**	**1 139**	**(52 550)**	**1 798**	**156 273**
01.01.2013 - 31.12.2013						
Equity as of 01.01.2013	**94 950**	**110 936**	**551**	**(71 229)**	**-**	**135 208**
Kapitał własny po korektach	**94 950**	**110 936**	**551**	**(71 229)**	**-**	**135 208**
Cost of incentive program	-	-	*438*	-	-	*438*
Total comprehensive income	-	-	-	*1*	*18 678*	*18 679*
Equity as of 31.12.2013	**94 950**	**110 936**	**989**	**(71 228)**	**18 678**	**154 325**
01.01.2013 - 31.03.2013						
Equity as of 01.01.2013	**94 950**	**110 936**	**551**	**(71 229)**	**-**	**135 208**
Kapitał własny po korektach	**94 950**	**110 936**	**551**	**(71 229)**	**-**	**135 208**
Cost of incentive program	-	-	*173*	-	-	*173*
Total comprehensive income	-	-	-	-	*15 100*	*15 100*
Equity as of 31.03.2013	**94 950**	**110 936**	**724**	**(71 229)**	**15 100**	**150 481**

Warsaw, 15 May 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy accounting officer

(all amounts listed in PLN thousands unless otherwise stated)

V. Condensed interim separate statement of cash flows

PLN thousands	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
OPERATING ACTIVIES		
Net profit (loss)	**1 798**	**15 100**
Total adjustments:	**1 846**	**(6 915)**
Depreciation	*628*	*569*
Interest and profit sharing	*(162)*	*(13 440)*
Profit (loss) on investment activities	*(156)*	*(49)*
Change in provisions	*(34)*	*(7)*
Change in inventories	*(7 728)*	*(3 337)*
Change in receivables	*(11 181)*	*11 464*
Change in liabilities excluding credits and loans	*20 546*	*(2 250)*
Change in other assets and liabilities	*(217)*	*(38)*
Other adjustments	*150*	*173*
Cash flow from continuing operations	**3 644**	**8 185**
Income tax on profit (loss) before taxation	*451*	*(443)*
Income tax (paid) / reimbursed	-	-
A. Net cash flow from operating activities	**4 095**	**7 742**
INVESTMENT ACTIVITIES		
Inflows	**215**	**13 564**
Disposal of intangible and tangible fixed assets	*23*	*5*
Disposal of financial assets	*29*	*46*
Other inflows from investment activities (dividends and interest)	*163*	*13 513*
Outflows	**9 842**	**9 992**
Purchases of intangible and tangible fixed assets	*9 842*	*9 754*
Other outflows from investment activities (incl. cash pool activities)	-	*238*
B. Net cash flow from investment activities	**(9 627)**	**3 572**
FINANCIAL ACTIVITIES		
Inflows	**2 366**	**10**
Credits and loans	*2*	*10*
Other inflows from financial activities	*2 364*	-
Outflows	**40**	**5 877**
Repayments of credits and loans	-	*549*
Payments of liabilities under financial lease agreements	*39*	*33*
Interest paid	*1*	*74*
Other outflows (incl. cash pool activities)	-	*5 221*
C. Net cash flows from financial activities	**2 326**	**(5 867)**
D. Total net cash flow	**(3 206)**	**5 447**
E. Change in cash and cash equivalents on balance sheet	**(3 206)**	**5 447**
F. Cash and cash equivalents at beginning of period	**20 002**	**12 175**
G. Cash and cash equivalents at end of period	**16 796**	**17 622**

Warsaw, 15 May 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy accounting officer

Other information concerning the separate financial statement of CD PROJEKT S.A.

Changes in write-downs and provisions reported in the condensed interim separate financial statements of CD PROJEKT S.A. for the period between 1 January and 31 March 2014 are as follows:

- 57 thousand PLN – dissolution of write-downs due to collection of receivables,
- 488 thousand PLN – dissolution of write-downs due to write-offs of receivables,
- 1 thousand PLN – creation of write-downs for past-due receivables,
- 5 thousand PLN – reduction in provisions due to use of provisions for warranty-covered returns and repairs,
- 1 thousand PLN – dissolution of unused provisions for warranty-covered returns and repairs,
- 69 thousand PLN – creation of provisions for other employee benefits,
- 61 thousand PLN – use of provisions for other employee benefits,
- 32 thousand PLN – creation of other provisions,
- 69 thousand PLN – reduction in provisions due to their use.

Negative temporary differences requiring recognition of deferred tax assets

PLN thousands	31.03.2014	reductions	increases	31.12.2013
Provisions for other employee benefits	*129*	*80*	*89*	*120*
Other provisions	*63*	*75*	*33*	*105*
Negative exchange rate differences	*142*	*21*	*141*	*22*
Provisions for lease expenses	*100*	*-*	*13*	*87*
Deposit discount	*15*	*-*	*-*	*15*
Cash pool interest	*-*	*-*	*1*	*(1)*
Incentive program	*1 139*	*-*	*150*	*989*
Reserve and asset offsets	*(28)*	*28*	*21*	*(21)*
Total negative temporary differences	**1 560**	**204**	**448**	**1 316**
Tax rate (Poland)	*19%*	*19%*	*19%*	*19%*
Deferred tax assets at end of reporting period	**296**	**39**	**85**	**250**

Positive temporary differences requiring recognition of deferred tax liabilities

PLN thousands	31.03.2014	reductions	increases	31.12.2013
Positive exchange rate differences	*28*	*483*	*28*	*483*
Income in the current period invoiced in the following period, and sales returns	*1 020*	*3 338*	*1 091*	*3 267*
CD PROJEKT brand name	*2 601*	*-*	*918*	*1 683*
The Witcher trademark	*15 104*	*-*	*-*	*15 104*
Revaluation of currency futures (cash flow collateral) at fair value	*100*	*-*	*100*	*-*
Other sources	*-*	*9*	*5*	*4*
Cash pool interest	*-*	*-*	*1*	*(1)*
Reserve and asset offsets	*(28)*	*28*	*21*	*(21)*
Total positive temporary differences	**18 825**	**3 858**	**2 164**	**20 519**
Tax rate (Poland)	*19%*	*19%*	*19%*	*19%*
Deferred tax liabilities at end of reporting period	**3 577**	**733**	**411**	**3 899**

Warsaw, 15 May 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy accounting officer

CD PROJEKT®